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Lloyds Bank Limited

MONTHLY REVIEW

NOVEMBER 1938

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****The Bank publishes from time to time in this* Monthly Review *signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.*

India: Financial and Economic Progress

By Sir Stanley Reed, K.B.E., LL.D., M.P.

THREE decades ago a small Committee sat in London to consider how the public works urgently required in India could be financed. It reported that the amount of money which could with advantage be spent on railway development was limited only by the supply of capital available. After examining every source it came to the conclusion that the maximum sum which could be relied on was twelve millions sterling per annum, and this was reached only by a raid on the Gold Standard Reserve—the Reserve accumulated from the profit in the coining of token silver rupees, and held as a reservoir against a demand for gold remittances from India. Between the years 1921–22 and 1936–37 the capital expenditure of the Central Government on Railways rose from Rs.544·31 crores* to Rs.788·88 crores. A change so far-reaching, and, moreover, a change reflected in every other branch of economic activity in the country, may repay examination; it may be summarised in a sentence. In this generation India has

* One rupee equals 1s. 6d.
One lakh „ 100,000 rupees (£7,500).
One crore „ 100 lakhs (£750,000).

developed from a land where every development enterprise was handicapped by a shortage of capital into one where the supply of capital is in excess of the opportunities of conservative investment.

It is almost impossible to recapture the conditions which existed forty years ago. The currency was the silver rupee. That had been given a relative stability at one shilling and fourpence to the pound sterling through the policy pursued since the Fowler Committee recommended this ratio and the Government adopted it. The legacy of Exchange fluctuations persisted, and London was chary of lending money to India, who has never defaulted on a shilling of her debt. The circulation of the Paper Currency was hampered by outworn restrictions, and if any criticism is offered of the financial policy of the day it is that the authorities, in India and in London, were too jealous of the interests of the taxpayer to pay a remunerative price for market money. In the result, a country crying out for development was starved. Every public work was considered not in relation to the needs of the community, but in the light of the capital sum likely to be available. Urgent railway lines and irrigation works were postponed for years; often if commenced their completion was indefinitely delayed owing to a shortage of loan money, thus adding largely to the cost. In the field of private enterprise progress was even more restricted. India is, and must always remain, an agricultural country. Yet there is immense scope for industrial development to supply the needs of 353 millions of people. In the early days of this growth two industries were specially favoured—jute in Bengal, drawing its raw material from the only source in the world, and the cotton textile industry, with the immense cotton fields behind it, and a community which, owing to climatic conditions, is a great consumer of cotton goods. Yet so timid was capital that the nascent industrialist had to go cap in hand to his friends to raise a few lakhs of rupees; as soon as an asset was created it had to be mortgaged to debenture holders, or working capital borrowed on short terms, to carry on. I can well recall the pride with which the then Finance Minister announced that he had borrowed five and a half crores of rupees in a single year, and the astonishment created when the first iron and steel works, and the hydroelectric enterprises in Western India, having been hawked unsuccessfully round London and

New York, were ultimately financed by Indian capital. Yet all these years India was accumulating large resources through a favourable balance of trade; for many years these took the form of silver, afterwards of gold, which disappeared into the ground. These reserves were often misdescribed as hoards. More correctly they represented "a store of value," held in bullion because of the legacy of generations of insecurity.

The forces leading to this remarkable change are, of course, many, and only a few can be indicated here. The first necessity was to mobilise the immense resources lying inert in these bullion stores of value. A step forward was taken when the Paper Currency was made freely encashable all over the country, people being thus weaned from an almost general dependence on bulky coined rupees. Then the introduction of loans with a fixed term of redemption and at interest rates proportionate to the market price of money gave Government securities a popularity unattainable by low interest-bearing securities, without any fixed period. Yet another useful movement was the utilisation of idle money. A quondam feature of Indian finance was that money was in excessive demand when the crops were being moved—say from September to May—and unusable between seasons. By the issue of Treasury Bills and borrowings from the Banks, the Government raised at the peak Rs.111 crores—on March 31st, 1938, the total amount of Treasury bills outstanding with the public was Rs.18·11 crores only. The combined effect of these changes is that Indian credit stands so high that the Government has an ample command of capital; the anxiety of the market is less that the loans will be too large than that they will be too small.

This official policy has been supplemented by ancillary changes of a beneficial character. Formerly, India was divided into three banking areas, each controlled by a Presidency Bank—Bengal, Bombay and Madras. These worked in watertight compartments and though custodians of Government funds their relations with officialdom were often of the most acrid character. The Government of the day went so far as to assert that it had no interest in the commercial effects of their practice, and when the market was desperately short of loan money locked up large sums in Reserve Treasuries. The War was a great educator; it

taught the two partners that their interests were identical and the three Presidency Banks were afterwards fused into the Imperial Bank of India, thus pooling the resources of the country. No branch of Indian finance was subjected to more vehement criticism than the management of the Paper Currency and The Gold Standard Reserve, and the extensive Exchange operations demanded by the Government's sterling obligations to meet what are called the Home Charges—interest on the sterling debt, pay and pensions in England, and purchases for the State Works. This long controversy was stilled when the whole of this big business was devolved on the Reserve Bank of India, by which it is managed on financial principles free from any *drang* from London or political influence.

These developments were rounded off by the extension of banking facilities. It was one of the conditions of the new charter of the Imperial Bank that it should open one hundred new branches, and wherever a Branch is started it attracts deposits and provides an additional outlet for Government securities. Indian Banks, with rupee capital, have grown, tapping fresh fields. Their career has not been unchequered; shortly before the War there was a purge, with disastrous results to the investor. The survivors are strong and play their own valued part in commercial and economic development. The mills have ground slowly; they have ground small. They have produced other, less apparent, but not less valuable grist. Whilst India does not vie with Great Britain in developing the small investor, and perhaps will never produce the colossal sum of two thousand five hundred millions sterling at which these holdings are estimated, still the investment habit is growing. It is specially marked in Western India, where it is not uncommon to find even single shares of one hundred rupees each in sound industrials held by individuals. No figures, so far as I know, reveal the small investments in Government Securities, but the statistics relating to the deposits in the Post Office Savings Banks and Cash Certificates are remarkable. They are specially noteworthy in demonstrating that they progressed throughout the worst years of the depression—a depression which hit India with special severity, because it is primarily an agricultural country and raw materials suffered the greatest recession.

Deposits in Post Office Savings Banks			Cash Certificates
March 31st, 1927	...	Rs.29·51 crores	Rs.26·67 crores
1932	...	Rs.38·20 crores	Rs.44·58 crores
1937	...	Rs.74·68 crores	Rs.64·40 crores
1938	...	Rs.79·65 crores	Rs.60·21 crores

This does not take account of deposits in the Savings Branch of joint stock banks. When we consider the measure of illiteracy, and the difficulties sometimes experienced in the encashment of certificates and the withdrawal of deposits, and that India does not offer the wide field presented by the Building Societies, Penny Banks, Municipal Banks and other organisations in Britain, these figures are of special significance as illustrating the spread of confidence and the healthy tendency to invest at interest instead of in inert bullion. The figures are the more significant in relation to the very low rate of interest at which Government are able to borrow these substantial sums—2½ per cent. for Cash Certificates and 2 per cent. in the Savings Banks.

Turn now to the industrial field. Prior to the War India was substantially a Free Trade country, with a low tariff for revenue purposes. Indeed, it was something less than a Free Trade system, for when a small revenue duty was imposed on cotton textiles to meet pressing revenue needs, Lancashire was able, through political influence, to insist on a corresponding Excise on home-produced goods, and never did Excise better justify definition as a hateful tax. This was not from choice. Indian industrial sentiment was definitely protective, but the House of Commons imposed its uncompromising Nay. It was not until after the War, and the amended constitution under the Act of 1919 came into force, that India was endowed with liberty of action in her fiscal policy, and launched on a policy of what was at first called "discriminating protection," though many think the word discriminating too moderate. With something in the nature of a monopoly—though that monopoly is impinged upon by the use of paper bags where gunnies were once universal—the jute industry was able to stand firmly up to the blasts of foreign competition. Far otherwise was it with the cotton textile manufacturer, exposed to the full force of imports from Britain, Italy, and later, in its most sinister form, Japan. Under a protective policy the manufacturing power of India has rapidly developed, and a brief survey of the principal industries will show the progress which places the country amongst

the great industrial nations of the world so classed at the International Labour Office.

I. Cotton Manufactures.

India ranks second only to the United States of America both as a producer and as an exporter of raw cotton. As a manufacturer it gives pride of place only to the United States, Japan and the United Kingdom.

No industry in India has shown more remarkable expansion than that associated with cotton textiles. Started in Calcutta, it found its chief development in Bombay, at first mainly engaged in the production of low counts of yarn for the Japan and China markets, for which an abundant supply of short-stapled cotton was available. With the closing of the Japan market and the capture of the China trade by Japan, spinners were forced to turn to the Home consumer, and important changes supervened. Whilst Bombay is well situated for the Overseas trade, it is not so well circumstanced in relation to the Home Market, and the tendency is for development to move into the interior, so as to be nearer the source of the raw material and the buyer. The movement from coarse yarn to cloth also demanded a better cotton, and close attention is directed to the improvement of the Indian staple. Under these conditions more yarn of the higher counts is spun, and a marked feature of recent years is the growth of 40's and upwards. Longer staple cotton is more freely available, and the spinner can call upon supplementary supplies from Uganda, the Sudan and the United States. Despite the increase in machine-made goods, the handloom industry is still one of the greatest importance; no exact figures are available, but in 1934–35 the cotton yarn available for consumption in handloom weaving was estimated at 343 million pounds and the quantity of cloth turned out on handlooms at 1,793 million yards.

At the opening of this (averages, 1899–1904) century there were 195 mills with 42,000 looms and about 5 million spindles in India. By 1914 the mills had increased to 264, with 96,688 looms and over 6½ million spindles; and by 1936 the totals were 365 mills, 190,468 looms and 9¼ million spindles. Excluding Burma, which was separated from India as from April 1st, 1937, the latest available figures show 370 mills with 197,810 looms and 9¾ million spindles operating in India.

Even more expressive of the expansion of the cotton manufacturing industry are the following returns of yarn and cloth produced in Indian mills :—

Year ending March 31st	Yarn million lbs.	Cloth million lbs.	Cloth million yards
1914	683	274	1,164
1923	706	405	1,725
1933	1,016	695	3,170
1936	1,056	761	3,571
1937	1,051	782	3,572
1938	1,160	864	4,084

Note.—The totals for the last three years have been adjusted owing to the exclusion of Burma figures.

With the growth of the mill industry there has been a corresponding decline in the quantities of cotton goods imported into India. In the pre-war period the bulk of this import trade fell to Lancashire, and the influence of Japanese competition was negligible. Later, the products of Japan grew to menacing proportions, not only in relation to other countries, but to India itself. These are now stabilised under the tariff and quota agreement. The severity of Japanese competition is one of the mysteries of the Industry. Buying her cotton largely in the Indian market, shipping it to Japan and returning it in the form of cloth and yarn, Japan, without a tariff, can undersell India in most of the markets, and even at the gates of the Indian mill. How this is done none has satisfactorily explained. The neighbouring overseas markets are also exploited by the same enterprising agency; the Indian exports of cotton piece-goods represent only 6 per cent. of the production.

The average annual imports of cotton piece-goods for the pre-war and post-war years are given along with the imports of recent years and the percentage shares of the United Kingdom and Japan, as follows :—

	Imports million yards	Percentage Shares of United Kingdom	Percentage Shares of Japan
Pre-war average, 1909–10 to 1913–14	2,617	97·4	0·1
Post-war average, 1919–20 to 1923–24	1,336	88·8	8·5
Year ending March 31st, 1923 ...	1,593	91·2	6·8
1933 ...	1,225	49·1	48·5
1936 ...	947	46·4	52·4
1937 ...	764	43·7	54·6
1938 ...	591	45·1	51·8

Note.—The figures for the last year are for India only; those of preceding years include Burma.

II. Jute Manufactures

Whilst the cotton textile industry was making heavy weather under the stress of overseas competition and the pressure of the excise duties, the jute industry was taking firm root in Bengal, where the moist climate of the Eastern Gangetic plain, with an abundant rainfall, affords ideal conditions for the growth of the plant. Cloth and bags, made of jute, products of the handloom industry, were exported from India in the latter half of the eighteenth century, but it was not until the flax spinners of Dundee had turned their machinery on to the spinning and weaving of pure jute yarns and cloth about a hundred years ago that "gunnies" and "hessians" appeared in world markets as the cheapest packing and wrapping materials. The first power-loom factory in India was erected on the banks of the Hughli river in 1859, and by the beginning of this century 15,000 looms were at work in Bengal. The number increased to 38,000 in 1913, when more jute was being consumed in Indian mills than was exported for manufacture overseas. The total reached 50,000 in 1925 and 58,000 in 1930. To-day, 67,000 looms are at work in India—64,500 in Bengal and the remainder in adjoining Provinces. While this expansion was taking place in India, countries overseas were also turning to the manufacture of jute. Germany and France, for example, each consume about 100,000 tons annually, while the United Kingdom still makes use of an average of 165,000 tons per annum in the manufacture chiefly of special yarns and fabrics not yet catered for by the Indian mills.

The following figures of Indian exports of jute, raw and manufactured, indicate the trade developments in recent years:

Year ending March 31st	Exports of raw jute ('000 tons)	Exports of manufactures ('000 tons)	Total ('000 tons)	Manufactures percentage of total
1920	592	652	1,244	52
1925	696	812	1,508	54
1929	898	911	1,809	50
1933	563	680	1,243	55
1936	771	752	1,523	49
1937	820	972	1,792	54
1938	747	1,020	1,767	58

Note.—The figures for the last year are for India only; those of preceding years include Burma, which takes considerable quantities of jute manufactures from India.

The rapid expansion of productive capacity and of exports from India has proved too much for the world's requirements, and mills have had to resort to short-time working in order to bring supply in line with demand. This is no new feature of the jute industry. Over fifty years ago the Indian Jute Mills Association was formed to provide machinery for regulating the mills' output to meet the varying demands of the trade, and at the present time 95 per cent. of the looms in India are in the membership of this Association. While exports of jute manufactures from India during the five years ended March 31st, 1930, averaged 883,000 tons, the exports during the following period of depression averaged 693,000 tons only. Owing to the falling-off in demand the Associated mills reduced working time to forty hours per week and closed down machinery. New mills and others not members of the Association took advantage of the improved conditions brought about by this restriction to run from 54 to 108, and even longer, hours by means of double and treble shifts. Efforts to get these into line having failed, the Associated Mills gradually resumed working longer hours with the result that the total annual production of Indian mills now exceeds 1,300,000 tons, as compared with 900,000 tons five years ago, and stocks of manufactured goods have accumulated to the extent of over two months' production. With buyers holding off, mills working at a loss and prices tending lower, the Government of Bengal, in order to protect the growers of jute and other interests adversely affected, have used the powers at their disposal to compel the small minority of millowners representing fewer than 2,000 looms in that Province to fall into line. At the end of September the Government introduced an ordinance limiting working hours to 45 per week for all jute mills in Bengal with the exception of small concerns of 175 looms or less, which may work up to 72 hours per week. This salutary step is another milestone in the orderly development of industrial life in India, and it is indeed a sign of the times that cotton (21 per cent.), jute (24 per cent.) and tea (13 per cent.), which occupy the leading places in last year's list of exports and together represent 58 per cent. of the total exports of Indian merchandise, raw and manufactured, should be recipients of special attention from Government by way of duties, quotas, restrictions or other methods of control.

III. New Industries—Iron and Steel

In discussing cotton we are dealing with a traditional industry of India—the development of the handicrafts which made calico and muslin famous all over the world into power production. The real importance in the growth of the economic strength of the country lies less in the progress of these manufactures than in the foundation and prosperity of new industries. The most notable of these is iron and steel.

In the early days the iron of India was found, like the dead industry of Sussex, in scattered works drawing their fuel from charcoal. The first modern plant was at Kulti in Bengal, but it was of modest dimensions, and the effort to produce steel was a failure. The importance of iron and steel in the industrial cycle is familiar to all economists, and prolonged efforts were made to erect major works to utilise the immense deposits of high-grade ore adjacent to the coal fields in Eastern India. Those were the days of timid capital in India and suspicious finance in London; the project was hawked round for years without effect. Greatly daring, it was decided to make a patriotic appeal to India, and to the surprise of everyone the necessary funds were subscribed for the erection of modern blast furnaces and open-hearth steel works in the jungle which have developed into the Steel City known after its founder as Jamshedpur. The output of these works was of great value during the War, when the overseas supplies were no longer available. Thereafter a big expansion programme was launched and came to fruition during the slump. It was not until the adoption of a protective tariff in 1924 that the industry could be described as firmly based. India now produces 1,644,000 tons of pig a year and 922,000 tons of steel ingots. The pig is perhaps the best and cheapest in the world and there is a substantial export trade of 600,000 tons annually, chiefly to Japan, the United States, and, since the Ottawa Agreement, Great Britain. Imports of manufactured iron and steel have fallen to 370,000 tons, as compared with an average of 1,183,000 tons for the years 1928–29 and 1929–30.

It is as a factor in the industrial cycle that the development of this iron and steel industry is most important. Round the major works there has developed a chain of ancillary manufactures—sheets for galvanising, tin plates and implements of agriculture, as well as a large output of the fertilisers essential

to agriculture from the by-products of the coking plant. The industry is far from having reached its zenith, and, subject to the fluctuations which must be expected, looks for a period of continuous expansion.

IV. Cement

The development of the cement industry has also been rapid. The traditional building material in India is stone, or brick and timber; but half a century ago, under the stimulus of cheap beams from the United States, it switched over to steel and brick or cement. Now, broadly speaking, it is reinforced concrete, with a consequent demand for cement. Another striking development has occurred. When the great irrigation works to utilise the waters of the Sutlej were planned it was desirable to prevent the loss of water through seepage in a porous soil. Canals were lined with cement, and this is a practice calculated to progress.

The manufacture of cement was commenced in Madras in 1904 on a very small scale, but the first Indian cement companies did not begin work in earnest until 1914, when the annual imports totalled 166,000 tons. Ten years later there were ten factories at work producing 264,000 tons against imports of 124,000 tons. Since then there has been no looking back, and the combined factories now produce over a million tons annually, while imports have fallen to 32,000 tons only. The cement industry is one of the few in India that has betrayed a capacity for organisation. Beginning with a Cement Marketing Board, it has been consolidated into the combine known as " The Associated Cement Companies Limited," the factories of which are distributed all over the country, so as to derive full benefit from the natural protection of long-distance freight, as well as the tariff. The combine's command of the market is, however, being threatened by individual rivals, a tendency in Indian enterprise to which reference will be made later.

V. Sugar

The expansion of the sugar industry is another arresting story. India was always a large cane-growing country, but the cane was either eaten raw, or turned into crude sugar known

as *gur* by boiling in open pans. One or two factories in Cawnpur and Madras produced refined sugar, but staggered under the stress of foreign competition. Forty years ago this came from Europe as beet sugar sold at uneconomic prices under the stimulus of continental bounties, supplemented by imports from Mauritius. Lord Curzon scotched the bounty-fed imports by the imposition of countervailing duties, but Java, shut out from America by Cuba, filled the vacuum. In the pre-war year India took 803,000 tons of sugar, of which 583,000 tons came from Java. As the result of the imposition of a protective tariff a regular spate of sugar factories set in; these increased from 32 to 146 in the six years to 1938. The production of refined sugar which was 120,000 tons ten years ago is now over a million tons, of which all save 32,000 tons is refined direct from cane. Under the influence of research on the Government experimental farms the quality of the cane and the output per acre, which were deplorably low, are improving. For all practical purposes India is self-contained in her needs of sugar, imports having declined to the nominal figure of 14,000 tons. Indeed, in the opinion of cautious folk the production of sugar in India has reached saturation point, the argument on the other side being that it enters so largely into the food of the people that absorption is limited only by the capacity to buy, and that, again, is a matter of the economic condition of the predominant agricultural population and the prices of commodities. The area under sugar cane in India in 1936–37 was 4,433,000 acres, from which the production in terms of "gur" (raw sugar) was estimated at 6,719,000 tons.

VI. Water Power

Intimately associated with this industrial development is the provision of power. There is a large, if not inexhaustible, supply of coal in India, with the handicap that for a country of immense distances the main source is in the north-eastern provinces. There are considerable veins of inferior fuel in the Central Provinces and scattered in other parts, but coal of a superior quality is virtually mined only in Bihar and Bengal. In the early years of the textile industry in Bombay fuel was drawn from South Wales and Natal, supplemented by the Indian mines; gradually the Indian resources furnished

the whole of the demand, with the burden of twelve hundred miles of railway transport, or the rail-cum-sea route via Calcutta. This set men's minds working in the direction of utilising the vast stores of energy lying latent in water power.

The first steps were taken in the Indian State of Mysore, where the conditions were ideal. There was water power on the Cauvery River, and a demand for every unit generated on the Kolar Gold Fields. That enterprise was expanded into 46,000 horse power. This is absorbed by the gold mines, and ancillary industries, including the lighting of many towns. In the immediate vicinity of Bombay City specially favourable conditions exist: the Western Ghats furnish a fall of eighteen hundred feet, and the moisture-laden monsoon impinging on these hills gives an unfailing rainfall of hundreds of inches. This rainfall is stored in a chain of great lakes, converted into electrical energy at the foot of the hills, and provides 246,000 horse-power for the driving of mills and factories, the suburban railways and part of the main lines. In the north-west of India the Punjab Province, under the stimulus of gigantic irrigation works, has been economically transformed, and this energy finds expression in a growing industrial development. But the Punjab is badly off for fuel, and distant from the coalfields. The Uhl River was harnessed in the remote hills, and the electrical energy generated distributed over a grid covering an area approximating to that of Britain. Here 36,000 kilowatts of energy are produced, with another 12,000 in reserve. Madras is another progressive area without any natural reserve of fuel, and a beginning has been made which will ultimately cover the province with an electrical grid. The first supplies come from the Pykara irrigation work, and are being developed stage by stage as demand grows. The potential resources of the Province are not less than 200,000 kilowatts. An even more striking enterprise is in the United Provinces. On the great Ganges Canal is a succession of falls; at each of these a hydroelectric generating station is in operation and the energy distributed over an expanding grid. Not only does this bring power and lighting to a wide area, but the cheap power is utilised to drive pumps attached to tube wells sunk in the water-logged soil, thus increasing the area brought under irrigation.

In a country where the coalfields are localised, and a thousand miles or so separate them from the area where power

is needed, the utilisation of water is of immense importance. It is difficult to over-estimate the part which water power is going to exercise in the industrial development of India, both in the direction of bringing energy within the reach of the industrialist large and small, and in preserving the coal supply, especially coking coal, for the iron and steel industries which are of vital necessity to the industrial cycle.

VII. Exports of Gold

The point of real significance which emerges from this survey is that these great development enterprises, in addition to the public works carried out by direct Government borrowing for railways and irrigation, have been financed by India from her own resources. So far from being dependent on the London market for capital, very large sums borrowed in time of financial stringency to finance the iron and steel industry and the Bombay hydroelectric works have been repaid out of profits, or the utilisation of local supplies of capital. Whilst the better mobilisation of Indian credit has played its large part in this change, another factor came into play with the departure of Great Britain from the gold standard.

Over a long series of years the balance of trade in favour of India was liquidated in gold and silver. For a long period India was the great absorber of silver; after fixity of Exchange was established, say from 1898 onwards until the War, the imports of gold steadily advanced. It was an axiom in the London market that India was "a sink of the precious metals"; this acquisition of gold was regarded with a jealous eye as a permanent loss, and various expedients were applied to prevent the establishment of the gold currency which was a basic part of the currency system. Those who took the long view never accepted this theory. They held that as India bought gold, when it suited her purpose to do so, equally she would release this gold if occasion demanded. They were justified. The abandonment of the gold standard by Great Britain established a substantial profit on these "stores of value," and gold at once came into the market, with beneficial results to the economics of the world. It swelled in volume as the extent of the profit was realised, and the stream has not dried up yet, though it is diminishing.

The following table shows the transactions in gold on private account during the last nine years as compared with the averages for the pre-war, war and post-war periods :—

(In lakhs of rupees)

	Imports	Exports
Average of pre-war period	32,79	3,92
" war period	10,60	2,99
" post-war period (1919–20 to 1923–24)	21,57	9,03
" five years 1924–25 to 1928–29	33,68	18
1929–30	14,23	1
1930–31	13,24	49
1931–32	2,80	60,78
1932–33	1,32	66,84
1933–34	1,10	58,15
1934–35	72	53,26
1935–36	95	38,31
1936–37	1,61	29,46
1937–38	1,57	17,90

This stream fertilised the whole field of Indian economics. It furnished the Government with an ample supply of loans for its current purposes ; provided the capital for the extension of industry ; and built up for the authorities a reserve in sterling estimated at £120 millions. It is often asked whence it came. From a variety of sources. The gold in India was held in many ways—in the bullion reserves of the Indian States, in holdings by a large number of people of means, and in ornaments by a multitude of people. All these sources were drawn upon. Various estimates have been made of the total value of the gold holding ranging from £600 to £800 millions, but even taking the smaller figure a great reservoir remains. So far as this liquification is represented by the creation of productive debt and the establishment of profitable industry, it is all to the good : so far as it represents meeting current needs, especially during the period of low agricultural prices, it means a diminution of the reserves against lean years which is not so satisfactory.

CONCLUSIONS

It is not pretended that this is anything approximating to a complete survey of the new financial and economic forces in India. That would far transcend the limits of an article in this Review. These developments have been selected

and illustrated to establish two main points—the growth of India into a money power and into a major industrial country.

As a money power India has passed, within the working life of men who are not old, from a land where capital was inadequate and timid into one where the Government and industrial enterprise soundly conceived have an ample command of funds. Whilst this is due to the better mobilisation of Indian resources and the liquification of the inert reserves of gold, it moves in a widening circle. All these internal loans for productive works, all these new enterprises financed with indigenous capital, release an ever broadening stream of interest and profit, part of which is available for further investment. When he was Finance Minister the late Sir Basil Blackett electrified a Delhi audience by saying that if the resources of India were mobilised it would be a lending instead of a borrowing country. That has come to pass. Figures are not available, but there are substantial investments in sterling on private account and obligations in London amounting to millions have been discharged. There is, indeed, a considerable interchange of investment between London and India. It is understood that some of the British Investment Trusts and Insurance Companies have broadened the basis of their portfolios by investment in Indian securities, whilst surplus Indian capital has sought an outlet in London. The public debt of India looks large; but it is represented by immense State Railway and Irrigation Works, as well as buildings. On March 31st, 1936, the interest-bearing obligations of the Government of India stood at Rs.1,211 crores against which were held interest yielding assets aggregating Rs.989 crores, including Rs.781 crores advanced to Railways, Telegraphs, Irrigation and other commercial departments. Since then certain financial adjustments have become necessary owing to the introduction of Provincial autonomy and the separation of Burma, but it may be noted that the total funded debt of the Government of India at March 31st, 1938, was—in England £297·56 millions = Rs.396·75 crores, and in India Rs.438·79 crores, making a total of Rs.835·54 crores.

Reverting to the field of industry manufactures have developed from a few concentrated industries arising out of special conditions, like cotton textiles and jute, with the great Railway Workshops to represent engineering, into great scenes of activity, many organised on the most scientific practice and

equipped with the latest plant. Whilst iron and steel, with the manufactures growing out from them, cement and sugar, have been singled out for illustration, they are only representative. The list might be expanded indefinitely, to embrace, for instance, matches, cigarettes, motor tyres and other commodities. The pace may slow down, for the Indian market is not capable of indefinite absorption, but the process will go on. If it is asked what part Britain will play in this activity a personal opinion may be expressed. It is that there is no prospect in the India of the future, with its strong nationalistic sentiment, for the manufacturing enterprise financed and directed from abroad. But there is an immense field for the association of British technical skill and experience with Indian capital and direction, and it is there that the truest line of advance lies.

And now the rocks ahead. The industrial progress of India has been warmed and nourished by a tariff policy called discriminating protection, though the word " high " is more appropriate. The influence of this tariff on prices falls largely on a community mainly agricultural. The voice of the industrialist is always heard in the land ; that of the agriculturist rarely unless it is to pay lip service to the non-vocal community. Vast irrigation works have been constructed under Government agency. The capital value of these rose from Rs.42·36 crores in 1901 to Rs.150·89 crores in 1935. Some of these works are on a titanic scale. Everyone knows of the Assuan Dam in Egypt. How many are familiar even with the outlines of the Lloyd Barrage in Sind, which with the complementary works waters an area as large as the whole irrigated area in Egypt? The scope for major irrigation works is well-nigh exhausted. We cannot look for the reproduction of canals that will provide outlets for millions. Despite all that has been done by Government in the way of research, and the evolution of better types of cotton, sugar cane, wheat and rice, Indian agriculture is an industry with a very low ratio of production per acre. It is governed by a social system which leads not only to the small uneconomic holding, but to millions of small holdings which are so scattered as to intensify their uneconomic character. The root reform here is the consolidation of holdings, with safeguards against fragmentation, and this involves social changes which only Indian Ministers can effect. Then, in the field of manufacturing industry the tendency is to be imitative

rather than creative. The production of sugar for the time being appears to be near saturation point, so, too, with cement. If the process of expansion is continued there may be a shake-out which will affect public confidence.

And, lastly, there is the growth of the population. This is a tremendous problem. In the last decennial period the population increased from 319 to nearly 353 millions. The cultivated area is relatively static. No development of industry, no improvement of agriculture, no emigration into the limited field available can possibly maintain this increase on the same standard of living, and the old scale was far too low. On the contrary, the figures relative to the supply of foodstuffs per head of the population indicates a slight recession.

It is a truism to say that politics and economics are indissolubly associated, and this applies no less to India than to other countries. Marking these signs of economic growth and financial progress, the question will inevitably be asked: " How far are they likely to be affected by the great changes which have taken place in the system of government? " Those are of a more fundamental character than is generally appreciated in Britain and abroad.

The system of government established when the Crown assumed responsibility for the governance of India was a bureaucracy, with at the head a Civil Service which in ability, devotion and integrity has never been surpassed. But it was always a qualified bureaucracy, with Indians associated with the law-making functions and through elected Councils exercising an increasing influence over the administration. Until 1919 one basic principle remained; in the last resort all power was retained by Parliament acting through the Secretary of State for India. After the War some surrender was made of this supreme authority, when Ministers, elected on a popular franchise, were charged with certain " nation-making " departments like education, sanitation and public health amongst others. Admittedly a transitional measure, this dyarchical system received its natural expansion in the Government of India Act, 1935, which provided for the establishment of responsible Ministries, drawn from Councils elected on a wide franchise, in the principal Provinces—it is really an error to describe them as Provinces, for in size and population they are States. Advantage was taken of the occasion to separate Burma from India and constitute a separate

administration; the association of Burma with India after its conquest was always unnatural; the people are different in race, character and religion, and complained that they were unfairly treated financially. Also to create two new Provinces —Sind and Orissa—for administrative convenience. These new Ministries exercise all the functions of responsible government, including the preservation of law and order, and the Reserve Powers of the Governors are held only to be used for imperative occasions, including the protection of minorities and to prevent the fabric of administration from being weakened. The resolute structure erected in this great Act, perhaps the greatest renunciation of authority in history, still lacks its coping stone, the establishment of a federal government for all India, embracing the Indian States under their hereditary rulers as well as the Provinces of British India; but although the difficulties are many, it is significant that the federal idea is almost everywhere accepted in principle, although the Nationalist Parties desire a different form of federation from that envisaged in the Act. Indeed, no other form of government is conceivable for a country of such immense size and diversity, with a population of 353 millions, which may have grown to 400 millions when the next census is taken in 1941. Pending the establishment of a Federation, which envisages a large transfer of power to Indian Ministers, the structure of the Central Government remains unchanged, and the ultimate authority of the Secretary of State for India unimpaired.

The first elections for the new Provincial Councils resulted, in April, 1937, in the return of members of the Indian National Congress with working majorities in six of the eleven Provinces, and Ministries drawn from their ranks were set up; the number of "Congress Ministries" has since been increased to seven. With every regard to the inevitable fluidity of the position, it may be said that the work of these Ministries has established a solid foundation of confidence for the future. Ministers have everywhere thrown themselves into the work of administration with energy and fervour, governed by a saving sense of the realities of the situation. The task before them is immense; social legislation in a country of innate conservatism was bound to lag under the control of bureaucracy, however benevolent. Ministers have everywhere shown themselves no less determined to maintain law and order than

their predecessors. Also no less jealous of the financial stability of their charges, even with every form of expenditure pressed on them by an impatient electorate. Provincial Governments are responsible for their own Budgets, their own ways and means and loan operations and have been able to borrow freely in the open market for their requirements, even at the low rate of loans bearing interest at 3 per cent. issued at the price of Rs.99 for every Rs.100 nominal value. At least one Government has financed temporary expenditure by issuing Treasury Bills. This is perhaps the best measure of the confidence they have established; although anxieties must be felt and some difficulties arise, it is true to say that the Ministries deserve confidence and support, and have won it in an encouraging degree.

STANLEY REED.

October 19th, 1938.

Notes of the Month

The Money Market.—More normal conditions have prevailed during October. The high discount rates of 1½ per cent. and upwards, current at the climax of the crisis, quickly disappeared so soon as the Munich Agreement was signed. The emergency withdrawals of currency, amounting to over £20 millions, took longer to return to the Bank, but the Bank return of October 19th showed that in this respect also the *status quo* has been nearly restored. On the other hand, the crisis for some time left its traces in the money market. First, the enormous quantity of foreign money, which was transferred during August and September from London to New York, has not yet returned. On the contrary, there was a further outflow in early October. Next, if it is fair to estimate the Exchange Equalisation Account's " crisis " gold losses at a very approximate £100 millions, none of that gold has yet been recovered, but instead a further amount was lost through the early October drain of funds. The result is that, on the one side, there are now less foreign balances seeking employment in the London market than has been the case for several years. On the other side, the Exchange Equalisation Account is now holding less gold and so is able to take up more Treasury bills, with the result that during the three months to October 22nd tap issues of Treasury bills rose from £304 to £379 millions, while those issued by tender were in consequence reduced in volume from £568 to £526 millions, which is contrary to the usual autumn trend. If the market therefore has less funds at its disposal, it is also less well supplied with Treasury bills. Again, during October, the authorities once more experienced difficulty in reinvesting immediately in Treasury bills the proceeds of the Exchange Accounts gold sales, with the result that there were temporary accumulations of cash in public deposits. To rectify this, on October 14th and 21st the Treasury bills were under-allotted at the tender, while from time to time assistance was given to the market in the form of special buying of bills. Still, after taking account of all these vicissitudes, it is fair to say that during most of the month the money market was not glutted with funds. Money remained easy, but until the end of the month market rates of discount remained well above the banks' rate of ½ per cent. for loans against bills. In the middle

of October three months' Treasury bills were quoted at $\frac{9}{16}$ to $\frac{5}{8}$ per cent. and the banks were only anxious to buy them in mixed parcels with the more useful December maturity. Three months' bank bills were then quoted at $\frac{5}{8}$–$\frac{11}{16}$ per cent. At the end of the month, however, rates fell back to their previous low levels of $\frac{1}{2}$ per cent. for Treasury bills and $\frac{9}{16}$ per cent. for three months' bank bills. Thus, in spite of the September efflux of funds, the previous ease has now been restored.

The Foreign Exchanges.—Immediately after the Munich Agreement sterling rallied until \$4·82 was touched on October 6th. There followed a fresh outflow of funds to New York, due not only to continued uncertainties as to the outlook but also to the growing attractions of Wall Street. The autumn commercial demand for dollars also continued. The result was that by October 14th the New York rate had dropped to \$4·72½. During the intervening week, the British Control gave consistent support to sterling, at a cost in gold to the Exchange Equalisation Account of very approximately £20 millions. The next week saw a sudden reversal in favour of the pound. This was partly due to technical reasons, for the foreign exchange market had bought dollars so heavily as to leave itself short of sterling, and several interests were replenishing their sterling by spot purchases of pounds against forward purchases of Continental currencies. There was also a feeling that the depreciation of the New York rate to \$4·72½ might not be wholly welcome to the United States, and this gave rise to an absurd rumour that a fresh devaluation of the dollar was impending. The result was that by October 19th the New York rate had recovered to \$4·78, though by October 24th it had fallen back to \$4·76. It is clear that the market is in a nervous state, and the only definite indication so far is that it is most unlikely that last summer's rates of over \$4·90, or even the old parity of \$4·86, will quickly be restored. Indeed, the authorities may well prefer to replenish their gold losses rather than to foster any sudden recovery in the rate. Guilders, belgas and Swiss francs moved during the month in sympathy with the dollar, for since the end of September no attempt has been made to link the guilder with sterling. Forward rates for these currencies were very firm as a result of the operations described above. French francs have been very steady at just below the Daladier

limit of Frs.179 to the pound. Recent returns of the Banque de France have shown a contraction in the note circulation and the repayment of a small part of the money borrowed from the Bank by the Treasury during the crisis. They have therefore created a good impression.

The Stock Exchange.—During the three days following the Munich Agreement markets recovered most of the ground lost during the preceding period of tension, but nevertheless October has proved a period of hesitancy. The gilt-edged market was affected by the further flight of funds to New York and consequent weakness of sterling, and, in spite of a moderate recovery in the third week of the month, prices have not yet returned to their level of last August. The industrial market was overshadowed by fears of the growing cost of rearmament, and the possible effects upon both production and consumption of the further expansion and acceleration of the rearmament programme. Moreover, during early October at least the investor was inclined to regard Wall Street as a rising market, while London remained a weak market; and even Wall Street itself did not display an entirely regular trend. In these circumstances it is not surprising that after the first recovery from the crisis London has shown few signs of further improvement. The actual trend of prices is illustrated by the following table :—

	Aug. 31st	Sep. 26th	Oct. 3rd	Oct. 17th	Oct. 24th	Oct. 31st
2½ per cent. Consols...	74⅞	65	74½	71⅜	72¼	71⅞
3½ per cent. Conversion Loan	101½	91	100⅞	97⅞	99$\frac{11}{16}$	99⅝
3½ per cent. War Loan	102¼	92½	101¾	99$\frac{11}{16}$	101	98$\frac{11}{16}$
Security indices—*						
British Government Securities ...	112·8	102·3	115·5	109·3	110·3	109·7
Home Rails ...	42·4	40·2	44·4	42·0	43·1	42·7
Industrials ...	102·4	93·4	103·4	99·9	101·9	101·0
Gold Mines ...	209·5	191·3	215·2	215·4	217·2	214·1

**Financial Times* (October, 1926 = 100).

The causes of the hesitancy in the gilt-edged and industrials markets have already been discussed. Home rails have begun to respond to the rising trend of traffics, but the labour troubles in London were for a short time a disturbing influence. London Transport "C" stock rose as a result of the discussions over the question of receivership, and the allied question of a possible increase in fares. Gold-mining shares

were relatively firm during most of the period covered by the table. This is not surprising, as one consequence of the crisis has been the rise in the sterling price of gold. Oil shares, though irregular in their course, have recovered since September, and are back approximately at last August's level. Rubber shares registered a similar recovery early in October, but have since been a dull market. Among base-metals, copper shares have risen noticeably, and prices generally are now higher than they were before the crisis.

Commodity Prices.—One of the most remarkable facts of the recent period of tension has been the absence of any serious movement in the average level of British wholesale prices. This is shown in the following table, taken from the *Financial Times*, and giving the movements of British and American wholesale prices over the past three months :—

		United Kingdom (Sept., 1931 = 100)	United States
August,	1st week	120·9	117·4
	2nd „	120·0	116·3
	3rd „	119·6	115·9
	4th „	119·9	116·6
	5th „	119·3	116·8
September,	1st „	118·8	116·8
	2nd „	118·8	117·0
	3rd „	119·0	117·2
	4th „	119·6	116·6
October,	1st „	119·8	116·7
	2nd „	120·0	116·4
	3rd „	119·9	115·8
	4th „	120·0	116·6

In spite of the disturbances caused by the crisis, the total range of movement in British wholesale prices was only between 120·9 and 118·8. During the last week of September, when the tension was most severe, the index only rose by 0·6 points. A similar stability is apparent in the United States. Finally the depreciation of sterling since three months ago has not caused the gap between the British and American indices to widen by more than the fraction of a point.

The chief movement in British wholesale prices has been a decline in grain prices, largely due to this year's heavier wheat crop. This decline was only arrested for one week during the crisis. Wholesale food prices generally are consequently lower than three months ago, although October itself has witnessed little change. Raw material prices are

slightly higher. Cotton prices fell up to the end of September, but have since been rising. Wool prices have remained very firm. The chief movement, however, has been a sharp rise since mid-September in non-ferrous metal prices. By the end of October this had amounted to 8·4 per cent. Rubber has also risen during the past five weeks.

The official cost-of-living index fell during September from 56 to 55 per cent. above its pre-war level. Normally there is a seasonal increase during the autumn months, so that the September decline was in reality greater than it appeared to be. Also at the end of September, 1937, the index stood at 58, so that there has been a decline of three points during the past year. Retail food prices also fell by a point during September, from 40 to 39 per cent. above their pre-war level, and the latest figure is four points lower than the parallel figure of last year. The September decline also ran counter to the normal seasonal movement. Thus the past year's fall in wholesale prices is now being reflected in a decline in the cost of living.

Overseas Trade.—In spite of the crisis, both imports and exports were greater in September than in August. This increase, however, was largely seasonal, for a similar movement occurred last year. Also the September increase in imports was mainly in the food category, and raw material imports actually fell from £20·3 to £18·0 millions. To this extent September trade was affected by the crisis, though due allowance must be made both for any differences in the length of the months and also for fluctuation in prices. Exports of British manufactured goods rose from £18·0 millions in August to £18·7 millions in September.

	Aug., 1937	Sep., 1937	Aug., 1938	Sep., 1938
		£ millions		
Imports	86·6	87·8	74·1	75·0
British Exports ...	42·5	44·3	36·3	39·8
Re-exports ...	6·7	5·2	5·0	4·0
Total Exports ...	49·2	49·5	41·3	43·8
Import Surplus ...	37·4	38·3	32·8	31·2

Compared with last year imports have fallen in value by £12·8 millions, and British exports by only £4·5 millions.

The value of imports has, of course, been affected by the decline in prices during the past twelve months. As a result of these changes the adverse trade balance is £6·1 millions less than it was in September last year. The returns for the first nine months of the past two years are summarised below.

Description	Jan.–Sept., 1937	Jan.–Sept., 1938	Increase (+) or Decrease (–)
	£ mn.	£ mn.	£ mn.
Total Imports	742·6	691·1	–51·5
Retained Imports	683·2	644·8	–38·4
Raw Material Imports	232·1	190·4	–41·7
Manufactured Goods Imports ...	202·5	176·5	–26·0
Total Exports, British Goods ...	385·6	346·7	–38·9
Coal Exports	27·5	27·6	+ 0·1
Iron and Steel Exports	35·5	31·2	– 4·3
Cotton Exports	52·3	37·6	–14·7
British Manufactured Goods Exports	300·3	271·5	–28·8
Re-exports	59·4	46·3	–13·1
Total Exports	445·0	393·0	–52·0
Visible Trade Balance	–297·6	–298·1	– 0·5

Total imports have fallen since last year by £51·5 millions. There were big declines in imports of raw materials and manufactured goods, off-set by an increase of £15·6 millions in food imports. British exports have fallen by £38·9 millions, while those of British manufactured goods have decreased by £28·8 millions. Nearly one-half of this latter reduction is in exports of cotton goods.

Home Reports

The Industrial Situation

Normally there is a seasonal recovery in business, which begins immediately after the August holidays and lasts until Christmas. This year, the autumn revival was completely held in check during September by the prevailing international tension, but since the Munich Agreement it has developed along normal lines. By the end of October it was fair to say that the month's recovery in business was a little more than might have been expected to result from seasonal influences alone. Looking back over a longer period, business is certainly no worse to-day than it was six months ago, and so the recession which begun in the late summer of 1937 and gradually gathered force until the late spring of this year, has now been definitely arrested. On the other hand there has been no real recovery, for business has done no more than stabilise itself at the lower level established six months ago ; and there is also a noticeable lack of balance between the activity in the rearmament industries and the relative depression in such industries as cotton spinning and weaving and the building of commercial tonnage. The United States, however, now seems to be on the threshold of a new upward turn in trade, while in this country the excessive stocks of certain materials, which were so potent a cause of anxiety eighteen months ago, have now been largely absorbed. Granted recovery in the United States and a fairly quiet political atmosphere in Europe, it is at least fair to assume that there will be no fresh deterioration in British business. There may even be a very moderate and slow recovery, but this will depend upon the economic readjustments necessitated by the acceleration of rearmament.

Employment fell from 11,402,000 in August to 11,380,000 in September, this decline being due to the crisis. In the coal trade, October has witnessed some improvement in certain districts. Pig-iron production was lower in September than in August, but steel production increased. A better tone developed in the industry during October. Stocks in consumers' hands are now greatly reduced, but fresh buying is being held back in the hope that the New Year may witness a reduction in prices. Engineering remains good, and motor vehicle manufacturers take a hopeful view of the new season.

Building plans passed during September showed a sharp reduction of 25·1 per cent. on the year. Here the influence of the crisis is again apparent.

There are slight signs of improvement in the consumers' goods industries. The cotton trade, though still depressed, is a shade firmer than it was. The wool textile industry is also firm, but users of tops seem to have covered their immediate needs. The clothing, hosiery, boot and shoe trades are also a little better than they were. The retail trade returns for the end of September showed an increase of only 0·9 per cent. over the previous year, but they were obviously affected by the crisis.

Among more general indications wholesale prices remain very steady. There was a slight fall during September in the cost of living, but this gains in significance when it is remembered that the index usually rises during the autumn. Railway goods and coal traffic receipts improved during September and again in October. Consumption of electric power continues to increase. Raw material imports were lower, but exports of manufactured goods were better in September than in August. Shipping entries and clearances were less in volume, but shipping freights remained firm.

News from the Empire is variable. Business in Canada is well maintained. Activity continues in Australia, but the recent recession has been rather more than seasonal. Rain is badly needed in many areas. The Indian cotton crop has been damaged in some districts by heavy rain, but elsewhere prospects have improved. October witnessed a further business improvement in the United States, and feeling now is definitely hopeful. On the Continent, the French textile industries are recovering from the crisis. There is a better outlook in the Belgian iron and steel trades, but apart from this there is little improvement in Belgium. Business in Holland was not unduly affected by the crisis. In Germany business has returned to normal since the period of tension, but there is still a serious shortage of skilled labour. Swedish trade was affected in certain respects by the crisis, but has since recovered.

Agriculture

England and Wales.—According to an official report, harvesting was delayed by stormy weather during the early

part of August, but the condition of the corn crops is generally good. Revised official estimates now give the total yield of the wheat harvest at 1,600,000 tons, compared with 1,400,000 tons in 1937. Production of barley and oats is also expected to be higher than last year. Roots have suffered from lack of sunshine, sugar beet being the most affected.

Scotland.—Weather conditions were bad during the first half of October, but conditions have since improved. Towards the end of the month it looked as if ten days of better weather would enable most of the crops to be secured, though labour shortage has added to the other difficulties. The yield of potatoes is expected to be above the average, and other root crops are looking well. In the produce markets demand for grain has been steady to firm, and business in potatoes has been firm. Supplies of livestock have been plentiful and prices have been maintained.

Coal

Hull.—There is little alteration in the prompt position, orders being largely restricted to odd cargoes. There is a little more enquiry for forward deliveries, but business is very slow. Working time is now a little better, but is still restricted in consequence of stocks of small coals. There is still a shortage of screened coal. Large coal is also scarce, but this is due more to restricted production than to a better demand. The inland demand for industrial coal is hesitant, but is seasonally better for house coal.

Sheffield.—The demand for industrial fuels has improved, and the public utility undertakings are taking larger deliveries. The household coal trade shows improvement, and enquiries for export have materially improved.

Newcastle-upon-Tyne.—There has been more movement in steam coal. The best descriptions are well booked ahead, graded coal being particularly in demand. Coking coal and gas coal are in seasonal demand with prices well maintained. Gas coke is firm and patent coke in good demand. Stocks remain on heavy side, largely owing to the influence of the Coke Cartel, and an increase of the quota is urgently needed.

Cardiff.—Small coals are dull, and sized coal is firm. Other descriptions are steady. Buyers are still showing reserve over forward contracts, as they are hoping for price concessions.

Newport.—Foreign shipments for September were 190,700 tons, compared with 177,600 tons in August and 197,600 tons in September last year. Shipments to Italy ceased during the latter part of September. The threat of war caused no general rush to cover supplies. Stocks abroad appear ample.

Swansea.—The anthracite market has again been very irregular. Enquiry from the Continent has not developed in accordance with anticipations. Best and second qualities of sized anthracites are only moving slowly, but thirds are in good request.

Scotland.—The market is very firm. House coal is in much better demand, and so are nuts for consumption at gas and electricity works. Industrial requirements are limited, but large tonnages of round coal and sized fuel are being delivered. Collieries are now very well supplied with shipping orders, and in the East of Scotland coal is moving away freely. Foreign enquiry, however, is disappointing, and most of the current shipments relate to outstanding contracts.

Iron and Steel

Birmingham.—The market was naturally upset by the crisis, but later indications point to an improvement in demand. Consumers' stocks are known to be low, and more specifications are expected so soon as the New Year's prices are announced.

Newport.—Apart from a temporary demand for A.R.P. material there has been little change in the position of most of the works.

Sheffield.—There has been a slight improvement in most sections, and stocks have been reduced. Some buyers are holding back, pending an announcement on 1939 prices. Local firms have plenty of work on hand for heavy forgings, and re-rollers are busier. The scrap market has improved.

Tees-side.—A better tone has developed since the crisis. Stocks of pig-iron have been reduced, and production of Cleveland pig-iron may have to be increased. Hematite stocks remain heavy, but consumption now exceeds production. Forward business is being held back, pending a decision regarding prices. Steel production is growing, and is likely to be stimulated by rearmament needs. The corrugated sheet trade has been more active, but the outlook in the shipyards gives no promise of better demand.

Swansea.—Improved enquiry has brought about a slightly better tone in the tinplate market. Orders are now slightly in excess of the low production of 46·08 per cent. of capacity.

Glasgow.—Demand is still quiet, with the industry only working at 50 to 60 per cent. of capacity. It is felt that for some time ahead makers will have to rely upon the home market, and more precisely upon rearmament. Steel-makers are affected by the lack of new orders for merchant ships, but any acceleration in warship construction will help. Steel re-rollers and makers of bar iron are short of orders. The galvanised sheet trade is quiet after the recent rush of A.R.P. orders, but this demand is thought likely to revive, while the motor trade should shortly be placing larger orders for sheets. Demand for pig-iron is quiet, with supplies in excess of consumers' needs. The number of furnaces in blast is unchanged at eleven.

Engineering

Birmingham.—There is a feeling of cautious optimism in the motor trade, but both manufacturers of cars and also accessory makers believe that there will be an early expansion in business. Motor cycle makers have been quiet, pending the show. General engineers are well employed, but mainly on rearmament work.

Bristol.—The position remains satisfactory in the constructional and general sections. The latter has recovered since the crisis. Aircraft manufacturers are very busy.

Coventry.—Motor car production is in full swing, and makers of components are active. Engineering orders are good. Makers of aero engines are fully occupied.

Manchester.—Machine tool makers report good business, but general engineering has been upset by the crisis.

Sheffield.—General engineers are busy and well supplied with orders for some time ahead. There is a shortage of skilled labour. The crisis created an abnormal demand for tools. Apart from this the tool trade is steady, but makers of engineers' small tools and precision tools are working at capacity and have some difficulty in meeting delivery dates.

Leicester.—Trade generally is good, but the machine tool section is only fair, as the requirements for machine tools for rearmament have largely been met.

Wolverhampton.—General engineers are active. The demand for electrical machinery and equipment is maintained. Business in motor trade components and accessories is good, and makers of commercial vehicles are busy, largely on national requirements. Rearmament firms generally are active, with a steady influx of Government enquiries.

Glasgow.—Shipyards engaged on Admiralty work are busy, but mercantile orders remain as scarce as ever. Unless there is an early improvement, a number of yards may soon be without work. Some marine engineers are busy, but others are experiencing a marked deterioration. On the average, output in the marine engineering trade is satisfactory.

Metal and Hardware Trades

Birmingham.—The cold rolled brass and copper section is quiet, but with a slightly better outlook. The metal smallwares and electroplating trades are dull. There is a better demand for general hardware.

Sheffield.—The cutlery trade is unsatisfactory, with serious unemployment. The seasonal improvement has so far failed to materialise. The E.P.N.S. and sterling sections are normal for the time of year.

Walsall.—The improvement in hardware and ironmongery is being maintained.

Wolverhampton.—Hardware is moderately active, and there is an improvement in hollow-ware. The lock trade is also better. Makers of edge tools complain of difficulties in certain overseas markets owing to subsidised competition.

Chemicals

In spite of disturbances due to the crisis, a fair volume of business has recently been passing. There has been an active demand for industrial chemicals, and business in pharmaceutical and other fine chemicals has been satisfactory. Trade in wood-distillation products has been quiet but steady, and stocks in most cases are lower. Acetate remains quiet. The demand for coal-tar products is no better.

Cotton

Liverpool.—The forwardings of American cotton to the mills of the world for the season to October 15th amounted

to 1,935,000 bales, compared with 2,243,000 bales for the corresponding period of last year. During the month demand on the "spot" market has shown an improvement, and with a limited quantity of suitable cotton being imported, Liverpool merchants have been selling from stock. The feature of the period has been the comparatively wide fluctuations on the "futures" market, and the disappearance of the premium on distant positions. On October 1st the current month's delivery for American middling was quoted at 4·51d. per lb. and January delivery at 4·68d., whilst on October 22nd the respective prices were 4·84d. and 4·82d. A big proportion of the 1938 crop is entering the Washington loan, and before supplies can be released the shipper is responsible not only for the farmers' loan rates but also for transport charges amounting to 7 or 8 American points per month. Thus a progressively higher market price is necessary to ensure profitable releases. The weakness of the distant position is attributed to the obscurity of future American policy in relation to the huge supplies of cotton that would, under normal conditions, be available for marketing. The October Bureau report estimated a crop of 12,212,000 bales, but with prevailing conditions its publication had little effect upon the market.

Manchester.—Trade was almost at a standstill during the crisis, but a fair number of enquiries have since come forward. There are reports of one or two large orders for yarns. Cloth prices have risen sharply in sympathy with the higher prices for raw cotton. This has brought out a certain amount of business, but not enough to alter the tone of the market. Trading is still only spasmodic.

Wool

Bradford.—Business in tops is quieter, as users have now covered their needs for a reasonable time ahead. Prices are firm and unchanged. Recent business in yarns has mainly been in hosiery descriptions for the home market. Export trade is quiet. Prices are unchanged.

Hawick.—There is no improvement in the Border tweed trade. Activity is mainly confined to contract work for materials sold at popular prices. The hosiery branch continues to improve. Spinners and dyers are also better employed.

Other Textiles

Dundee.—Conditions in the jute trade have become quieter again after the pressure of the past few weeks. There is still good business for immediate deliveries, and this keeps the prices for yarn and cloth very firm. The price of raw jute is reasonably steady.

Dunfermline.—The Fifeshire linen trade continues fairly active, particularly at the heavy end, where there is some pressure for delivery. Prices are firm. Flax and tow are offering more freely, but sellers are reluctant to reduce prices.

Clothing, Leather and Boots

Bristol.—The boot and shoe trade remains fairly satisfactory. There has been a slight improvement in the retail bespoke section of the clothing trade, but the ready-made and wholesale bespoke sections are unchanged.

Leicester.—Home trade in boots and shoes is better, and manufacturers are busier. Export trade is only fair. The hosiery trade is not as good as it should be, but conditions in the underwear, women's hose and infants' fancy departments are better.

Northampton.—Business during the early part of the annual Shoe and Leather Fair was below expectations, but the general feeling was that better orders would follow later. Leather prices remain steady.

Walsall.—Tanners report that prices are firmer and business better. Makers of fancy leather and sports goods are well occupied on seasonal orders.

Shipping

Bristol.—Trade at the port has been well maintained. Stocks of grain in the Port Authority's warehouses are increasing.

Hull.—The recent improvement in rates for the Baltic has been maintained, but rates remain low for other directions. There is only a moderate demand for tonnage.

Liverpool.—Rates for outward coal chartering show little change, and business has proceeded on quiet lines. The River Plate homewards has been slow, with rates at about

schedule. There has been a moderate interest in miscellaneous cargoes from North America, and North Pacific loadings to the United Kingdom have ruled quietly steady. The demand from Australia has been inactive.

Newcastle-upon-Tyne.—Last month's improvement has been barely maintained. Rates have frequently eased in shippers' favour. The Baltic is the best market, for there the supply of tonnage is limited.

Southampton.—The quantity of shipping entering the Docks during September amounted to 1,986,414 gross tons and exceeded the figure for September, 1937, by more than 100,000 tons. Part of this increase was due to the fact that several liners of the Compagnie Générale Transatlantique now use the facilities at the Docks for passenger embarkation, whereas in 1937 tenders were largely employed. At the centenary celebrations of Southampton Docks a commemoration column was unveiled by the Chairman of the Southern Railway Company.

Cardiff.—The freight market is steady.

Newport.—Freight rates showed some improvement in September, but the volume of business was small.

Swansea.—Demand has been quiet for all directions, and the expected enquiries for the North French Market have so far not come forward. The early October gales affected the movement of vessels, and charterers found some difficulty in securing tonnage. Rates are slightly better.

East of Scotland.—There were over twenty vessels on loading turn at the Forth coaling ports at mid-October, mostly at Methil. While Leith dock returns for September showed some improvement in exports as compared with last year, decreases were shown in many of the principal imports, notably grain. Quiet conditions continue in the freight market although there is occasional enquiry for the Baltic.

Glasgow.—There is a fairly good demand for tonnage to load coal at Scottish ports for discharge in the Baltic. There is no business offering to the Coast, Bay, Mediterranean or South American sections.

Foodstuffs

Liverpool, grain.—Apart from a consideration of price movements, which were violent during the closing days of

September, this report is largely concerned with weather conditions in the chief wheat-growing countries. In the Southern Hemisphere varying conditions are evenly balanced. The Australian crop is suffering considerable deterioration from lack of moisture, while satisfactory progress in the Argentine points to a much larger crop. United States winter wheat seed-beds require much greater precipitation than has fallen so far, but in Canada fair rainfall, while not general, has improved prospects. Wheat prices in the Dominion are firm, and the 1938 crop movement is well advanced. From September 20th to 28th prices on the "futures" market advanced 6d. from 5s. 1d. per cental, mainly due to political influences. The subsequent recession to 4s. 10⅜d. on October 22nd, however, indicated a return to more normal market conditions and reflected the satisfactory supply position. The price of maize—23s. per quarter—is lower than at any time during the past twelve months. A large surplus is available in the United States, where the new crop movement, favoured by good weather, proceeds satisfactorily.

Liverpool, provisions.—The demand for Continental bacon is quiet and prices are inclined to ease. American hams are scarce in a firm market. Lower lard prices are advised from Chicago, and values are easier. There is a very firm market in canned meats, with demand exceptionally good, while the demand for canned fruits is only moderate, without much change in values. Empire and Continental makes of butter have been quiet, with prices somewhat lower. The demand for cheese has been quietly steady, at slightly reduced quotations.

Fishing

Brixham.—Deep sea trawling has been impeded by bad weather, and the resulting scarcity has caused a rise in prices. Foreign landings have completed their quotas for this year, and so prices are likely to remain high until the New Year.

Hull.—A shortage of supplies due to heavy weather and the prohibition of sailings to Bear Island and the White Sea during the recent crisis was apparent towards the end of the month. This caused prices to harden. Grave alarm is felt by the distributing organisations at the policy of the trawler

owners in restricting supplies. It is felt that the resultant high prices will affect demand from the public.

Penzance.—The Newlyn line fishing has been fair. Smaller trips were landed on account of the bad weather, and the boats were unable to fish in the deeper waters. Ray and skate were in good demand, and prices very firm. The pilchard fishing is practically finished. It has been a most unsatisfactory season, prices having been the lowest on record.

Scotland.—Favourable accounts are being received from East Anglia, where most of the larger boats are now operating. Reports indicate that the quality of the herring is good but prices irregular. The line fishing round the Coast has been hampered by storms, and catches have realised good prices.

Other Industries

Carpets.—Kidderminster states that the improvement in the carpet trade is maintained, except in Wiltons and chenille squares. Some manufacturers are working full time, and the outlook for next year is good. Home stocks are low, and Australia, New Zealand and South Africa are placing orders freely. Raw material prices have hardened.

Paper-making and Printing.—Bristol reports that there is a slight improvement. The Edinburgh paper-making trade is fairly steady, and most mills are just able to work ordinary time. The printing trade was affected by the crisis, but has since begun to revive. Both the book and jobbing branches are now moderately active.

Timber.—There is a slightly better tone at Hull since the crisis, but business is still below normal. A considerable part of current imports are going into stock. Consumption, both from the house-building and packing case trades, is still on a much lower level than usual. Shippers continue to maintain high prices, and some adjustment is needed before there can be any buying for the approaching season.

Overseas Reports

Australia

From the National Bank of Australasia Limited

The recent recession is slightly more than can be explained by seasonal influences, but business still remains prosperous. Exports are falling, while imports remain high. There was an adverse trade balance of £3,111,000 sterling for the two months to August 31st, while last year this period recorded a favourable balance of £800,000 sterling. At the end of October widespread rains were urgently needed in Victoria, and rain was also needed in certain parts of West Australia, South Australia and Queensland. In certain areas good rains have recently fallen.

Canada

From the Imperial Bank of Canada

Considering the effects of disturbed conditions in Europe, business operations have been relatively well maintained. The total volume of freight has reflected a heavy movement of grain which has largely offset the falling off of shipments of some other commodities. The official economic index is 108·3 or less than 2 per cent. below the figure of a year ago. This moderate setback is due to the lower level of wholesale prices and stock market quotations as well as to the contraction in car loadings. The index of the physical volume of business has shown a tendency to rise. Mineral production has continued to increase, and manufacturing operations have been well sustained. The demand for electric power has been expanding, and there has been further improvement in building and construction, although the scale of such activities is still disappointing. The rush of grain down the lakes has been responsible for the highest shipping charges in the past ten years. The railways also are benefiting from the movement. Steel operations have been on an increasing scale to meet anticipated increases in domestic requirements. Good progress has been made in adjusting stocks. The textile industry is anticipating an increased demand, and the newsprint industry, with reduced stocks, is expecting to expand operations. Bank deposits have shown further increases and sufficient credit is available to meet the needs of any expansion in business.

India

Bombay.—The political tension severely restricted the cotton market during September, but the tendency has since become firmer. Demand from the Continent has been small, but there are hopes that Japan will buy, as stocks there are almost depleted. The parity between American and Indian cotton has widened considerably. Crop accounts have been favourable apart from damage by heavy rains in the Oomra districts. The piece-goods market has improved as regards Japanese and Swadeshi goods, as the selling season has now started. Business in British goods is unsatisfactory. The yarn market has recovered from the political crisis, and trade has been possible with the Far East. Japanese prices have fallen considerably, and Manchester spinners will have to follow if they are to compete.

Calcutta.—The raw jute market was unstable during the latter part of September, but early in October local mills bought heavily and prices hardened. Up-country markets are firm. The European situation has dominated the hessians market, which early in October became firm with advancing prices. Heavy goods have been more stable. Shellac prices have fluctuated narrowly and business has been far from brisk owing to political uncertainties. Japan has bought very small quantities. At the tea auctions the quality has been well maintained, with a fair demand for common and low medium grades though at lower prices. The hides market recovered in October following the crisis.

Burma

Rangoon.—The rice market has been very quiet, but prices should remain steady, as only small stocks of undamaged rice are now available. Europe and the Far East are completely out of the market, and Indian ports are dull. The European timber market has been active, and India has also shown more interest. The Rangoon log market is steady. Hardware dealers still find much difficulty in collecting their up-country outstandings, and are inclined to take a pessimistic view of the future. Business consequently is restricted, and dealers are very cautious in extending fresh credits.

Eire

Harvesting continued during September. Most of the grain crops were from two to three weeks late. Yields were unusually variable. It is believed that the wheat crop yield will be above that of last season, but the oats crop is below normal. While all root crops made good progress they failed to recover completely from the comparatively sunless summer. The digging of main crop potatoes began towards the close of September. Average yields are indicated. Despite the comparatively wet season the condition of livestock is on the whole satisfactory. Fairs held during September were of normal seasonal dimensions and prices remained fairly steady at previous levels. The supply of pigs was well maintained and demand continued steady.

France

From Lloyds & National Provincial Foreign Bank Limited

The adverse visible trade balance for the first nine months of this year was Frs.12,613 millions, compared with Frs.13,333 millions last year. The trade returns are summarised below :—

	First Nine Months, 1937 Frs. mill.	First Nine Months, 1938 Frs. mill.	Difference Frs. mill.
Imports—			
Foodstuffs	7,508	9,114	+ 1,606
Raw Materials	17,919	19,907	+ 1,988
Manufactured Articles ...	4,738	4,997	+ 259
	30,165	34,018	+ 3,853
Exports—			
Foodstuffs	2,308	2,838	+ 530
Raw Materials	5,985	7,047	+ 1,062
Manufactured Articles ...	8,539	11,520	+ 2,981
	16,832	21,405	+ 4,573

Compared with last year, the value of imports has increased by approximately 13 per cent., and that of exports by just over 27 per cent. There is an appreciable increase in exports of manufactured articles.

The number of registered unemployed on October 15th was 359,349, compared with 314,436 at the same time last year.

Railway receipts from the beginning of the year to September 30th amounted to Frs.10,885 millions, representing an increase of Frs.1,933 millions, or 21·6 per cent., compared with the same period last year. It must be remembered, however, that rates were increased in July, 1937, and again in January this year, by approximately 45 per cent.

The cost of living continues to rise. The September index figure was 13 points, or 1·87 per cent. higher than the previous month.

RETAIL PRICES OF 34 HOUSEHOLD REQUISITES
(1914 = 100)

1936	May	459
1937	September	642
1938	August	695
1938	September	708

Compared with September, 1937, the increase is 10·28 per cent., while compared with May, 1936, the date immediately prior to the introduction of the new social laws, it is 54·24 per cent.

Le Havre.—The "futures" market in coffee stood up well to the uncertain conditions during the International crisis and, although a control of prices was instituted, it did not function until prices rose sharply after the Munich Conference. Turnover was good, and prices are now rather better than they were a month ago. Demand from the interior has improved and, as arrivals have been poor, stocks at Havre have fallen to 611,000 bags.

Cotton "futures" prices were also put under control, but fluctuations during the crisis were not wide. Prices have since risen steadily and are well above those of mid-September. Demand from the mills has improved a little, but although some merchants retarded shipments, arrivals have been heavier and stocks in Havre have grown to 272,000 bales.

Lille.—The cotton trade is gradually recovering from the recent tension, and the market has been fairly animated with prices firm. Stocks are at a low level, and with any return of confidence, the long-awaited revival in demand should materialise. The possibility of the renewal of the wages dispute, postponed at the time of the international tension, is causing some anxiety, as the textile workers claim a further

increase of 12 per cent. in addition to that of 3 per cent. recently granted. Among the flax spinners, conditions show little change. Continued uncertainty concerning the Soviet's exports policy is an unsettling influence. The local crop is reported to be good and is expected to show a yield of 15 to 20 per cent. higher than last year.

Roubaix.—The embargo placed on tops and other commodities for defence purposes has been removed and business in tops has been brisk. Demand for noils shows some improvement. Prices which sagged during the international crisis are now about 5 per cent. higher than a month ago. Combers are well supplied with raw material and the majority of them are working two shifts, and in some cases three shifts. The average output is about 80 per cent. of capacity, and combers expect to maintain this level of production until the arrival of the new clip. In spite of the high combing output, stocks of tops at the end of September, at Kilos.9,323,000, show an increase of only Kilos.88,000, compared with the previous month. Spinners report increased activity, and enquiries for export account, for some time practically nonexistent, are now coming in well. Conditions in the hosiery section are quieter than in the other branches. Piece-goods manufacturers are busy on old contracts, with a fair number of new orders. Negotiations are still in progress between the mill owners and the workers' delegates regarding an increase in wages in view of the further rise in the cost of living, but agreement has not yet been reached. Unemployment is decreasing.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Antwerp.—Markets continue quiet, with a noticeable lack of business. Wool, which had increased slightly in price on receipt of favourable advices from the primary markets, has again lost ground, owing to heavy stocks of combed wool, and small consumption. Cereals are inactive and prices show a downward tendency. The firm tone on the Stock Exchange which followed the signing of the Munich Agreement has given way to a certain reaction, with a smaller volume of business.

Brussels.—The outlook in the iron and steel trade is much more encouraging. While the actual production of steel is not yet being increased, satisfactory orders are being received, particularly from Scandinavia, Holland and Egypt. The demand for domestic qualities of coal is being influenced by seasonal requirements, and there are delays in delivery of certain classes, particularly anthracite. There is a slow but progressive improvement in the demand for industrial coal. On October 1st stocks amounted to 2,350,000 tons, or rather less than one month's production.

Germany

Business has returned to normal since the crisis, for Germany is already accustomed to cope with an acceleration of rearmament. At the end of September unemployment amounted to only 156,000. In Austria it has fallen to below 100,000 for the first time since the anschluss. Employment in the old part of the Reich was 20,850,000 at the end of September, a figure which represents an increase of about 1,200,000 during the previous year. It is still possible to find fresh supplies of unskilled labour, by extending working hours and recruiting women and young people, and also by the compulsory transfer of men already in work. The skilled labour problem presents greater difficulty. Closer control is also exercised over raw material supplies and over the extension of bank credit, so as to ensure that the most essential needs are met.

The acquisition of the Sudeten areas has naturally raised many new problems. It is thought that the present exchange rate of Rm.12 to Kc.100 greatly favours the holders of Czech crowns, and may also hamper exports from the Sudeten industries. On the other hand the opinion is expressed that it will not take long to get rid of unemployment in these areas.

Holland

The new National Budget, for 1939, estimates expenditure at Fl.744·8 millions and revenue at Fl.602·2 millions, leaving a deficit of Fl.142·6 millions, which is being covered in various ways. New taxes include a general 2 per cent. tax on income

and profits, and a tax of 8 per cent. on trading profits earned in this country by corporations. It is also proposed to increase certain import duties.

Notwithstanding the seriousness of the international political situation, business in this country was not unsatisfactory in September. There was a fairly big increase in foreign trades, exports, in particular, showing a substantial rise.

FOREIGN TRADE OF THE NETHERLANDS

	Imports		Exports		Percentage of Imports covered by Exports	
	In Millions of Guilders					
	1937	1938	1937	1938	1937	1938
January to June	746	701	532	499	71·4	71·2
July	146	120	102	78	69·7	64·9
August ...	122	116	98	90	80·3	77·5
September ...	130	117	113	101	87·0	86·7
Total ...	1,144	1,054	845	768	73·9	72·9

Unemployment shows a downward tendency, the number of unemployed having declined between January 1st and the middle of September from 439,300 to 302,900. The lengthening of the period of military service has naturally had an influence on these figures. During the last few weeks there has been some increase in unemployment, but it is less marked than a year ago. Activity at the Ports continues encouraging. The increase over last year has been easily maintained. The decline in wholesale prices has continued, as will be seen from the following table :—

INDEX NUMBERS OF WHOLESALE PRICES
(Base : 1926–30 = 100)

	Foodstuffs	Raw Materials	Manufactured Products	General Index Number
1936 September ...	65·8	48·4	66·1	62·6
1937 (average) ...	75·8	69·3	78·8	76·2
1938 January ...	79·0	61·8	78·1	75·2
July ...	73·7	56·3	75·4	71·3
August ...	73·3	55·4	75·1	70·8
September ...	72·1	55·3	75·2	70·5

The main event in the foreign exchange market was the decision taken at the end of September, to leave the guilder free to fluctuate against sterling. The rate quickly dropped from Fl.8·92 to Fl.8·54, but has since recovered to Fl.8·76.

Norway

The foreign trade returns are summarised below :—

	Sept., 1937 Kr. mill.	Aug., 1938 Kr. mill.	Sept., 1938 Kr. mill.	9 Months, 1937 Kr. mill.	9 Months, 1938 Kr. mill.
Imports ...	110·8	100·2	103·9	960·8	886·7
Exports ...	73·7	61·5	74·9	586·4	554·4
Import Surplus	37·1	38·7	29·0	374·4	332·3

The increase in exports is mainly in those of chemical fertilisers and ships. The number of unemployed amounted to 26,105 in September and 21,068 in August, as compared with 25,431 and 20,045 in September and August of 1937, respectively. The general index number of the cost of living was 170 (July, 1914 = 100) on September 15th, 1938, or two points less than that of the preceding month. The wholesale price index for September 15th, 1938, was 151 (1913 = 100), while by October 15th, 1938, it had fallen to 150. The monthly index of industrial production (1935 = 100), adjustments made for the varying number of working days, shows a general index number of 118 in August, 1938, as against 127 in August, 1937, and 98 in July, 1938. The August figure of this year is 9 points or 7·1 per cent. below the corresponding figure of last year.

	Home Market Industries		Export Industries		Total of Industries	
	July	August	July	August	July	August
1936 ...	97	120	99	112	98	117
1937 ...	109	135	114	113	110	127
1938 ...	96	129	103	97	98	118

The National Accounts for the fiscal year 1937–38 have now been closed with a gross surplus of Kr.44·6 millions and a net surplus of Kr.36·6 millions. The surplus is due to a substantial increase in revenue, the total revenue amounting to some Kr.56·7 millions more than the budget estimate. Expenditure shows an excess of some Kr.21 millions.

According to estimates in the Press, the tourist traffic for the year of 1938 will probably reach some Kr.80 millions for 1938, compared with some Kr.67 millions last year.

Sweden

An immediate consequence of the Munich Agreement was an improvement on the timber market. The season is

now so far advanced that buyers must begin to think of covering their winter requirements. As is usual at this time of year, it has begun to be increasingly difficult to obtain the required specifications. Prices are a little firmer. Sweden's total sales since the beginning of the year were estimated in the middle of October at about 600,000 standards.

During the crisis the wood pulp market was almost completely inactive, but it has since recovered. Nevertheless, the turnover has been fairly small, and new contracts are still being combined with the conversion of old contracts. The limit fixed for the year's production has now been very nearly reached. Only a few sales have been effected in mechanical pulp, but prices are unchanged and remain fairly firm.

The Swedish iron market likewise felt the effects of the political tension, and a considerable buying demand for commercial iron was noticed. Thanks to the continued activity in the building industry there is a steady demand for constructional iron, and the supply of orders has increased. The market is now beginning to quieten down, but prices are regarded as very stable. Some of the Swedish ironworks have sold their entire output for the current year, but they have preferred not to take orders for 1939.

Denmark

The political crisis made itself felt in various ways in Denmark, particularly on the Stock Exchange. In the days of the crisis the Foreign Exchange authorities gave a freer hand to imports of necessary goods, and the Government issued a decree prohibiting the export of a large number of goods. Both these measures were cancelled, when the war threat disappeared.

The past financial year, 1937–38, of the State shows income on current account of Kr.544·6 millions and expenditure of Kr.521·1 millions. The surplus of Kr.23·5 millions is only Kr.4 millions less than that achieved in 1936–37. For the current financial year the ordinary budget estimates a surplus of Kr.2·6 millions, but the supplementary budget to be voted later will, no doubt, greatly influence the final result. The State expenses are rapidly increasing. While in 1935–36 total expenses were Kr.434·6 millions, the coming financial year estimates expenses at Kr.513·9 millions—an increase during four years of Kr.80 millions.

Foreign trade in August consisted of imports valued at Kr.129·7 millions and of exports totalling Kr.126·4 millions, leaving an import surplus of Kr.3·3 millions. Total imports during the first eight months aggregate Kr.1,056·2 millions, against Kr.1,092·9 millions in 1937. Exports totalled Kr.1,019·9 millions, against Kr.996·1 millions in 1937.

As was expected, the year 1937–38 has been considerably better for agriculture than its predecessor. The net profit of agriculture rose from 2·5 to 4·2 per cent. This figure is arrived at after deduction of all working expenses, but does not include payment of interest on the capital invested in agriculture.

In order to reduce unemployment, public works on a great scale will now be initiated. Finance is to be obtained chiefly through borrowing.

The value of Danish exports to Germany during the October quarter has been fixed at Kr.82 millions, which compares with an export quota in the July quarter of Kr.73 millions, and in the April quarter of Kr.82 millions.

While the wholesale price index again in September was unchanged at 110, this being also the figure for the import price index, the export price index rose from 112 to 115. A year ago the import index was 131 and the export index 120. Thus prices during the past year have moved in a manner favourable to Denmark.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

The bourses have become steadier since the international crisis. The sterling exchange has strengthened in favour of Switzerland, and is now slightly under 21 francs. The latest return of the National Bank shows that the circulation of notes, which had risen to Frs.1,933 millions at September 30th, has now dropped to Frs.1,733 millions. The gold cover is 85·27 per cent. Swiss exports to England increased by Frs.11 millions during the month of August, and Frs.16 millions in September.

Morocco

From the Bank of British West Africa Limited

Business conditions in the French zone of Morocco have been adversely affected by the European crisis, and there was

a disinclination to sell until the situation became clear. Prices for Japanese cotton goods have been gradually falling for some weeks. Green tea continues firm with an upward tendency, as difficulty is anticipated in obtaining fresh stocks from China. The French Authorities have introduced legislation to create reserve stocks in the French zone of green tea, sugar and canned milk up to 25 per cent. of all quantities imported as from November 1st. The first rains have fallen over most of the country, but not enough yet to enable ploughing to begin. In exports, cereals and seeds have been very quiet. Buyers have been holding off in view of the European situation. Prices consequently have fallen, and fair stocks of cereals continue to be held by farmers. The French Government have notified the Moroccan Authorities that France desires to import as little as possible of this year's Moroccan soft wheat crop, which amounted to 2½ million quintals. Present indications are that France will not import more than 650,000 quintals. Eggs are in good demand from France, and local prices have risen sharply.

The United States

Notwithstanding the fear of a general European war, commercial activity here did not suffer any great setback during the period of acute crisis. Provided conditions abroad quieten down, things here should advance satisfactorily. For the first nine months of 1938 the value of construction work at $2,004 millions is more than 6 per cent. over that for the first three quarters of 1937. Much of this is explained by Government relief projects, as public works are 37 per cent. higher against a decline of 28 per cent. in private contracts. Motor vehicle construction shows its usual upward seasonal trend.

As a result of the European war scare there was considerable activity in the "futures" market for raw sugar, and quite a substantial volume of business was done. In actuals, however, not very much happened. Supplies of sugar in this country are ample for all normal requirements, and it is rather difficult to account for the bullish feeling, especially as the beet sugar producers have to dispose of nearly 750,000 tons before the end of the year if the quota allotted to them is to be filled. Crude rubber has shown a substantial increase in price during the last month. Present prices in fact are almost

10 per cent. higher than those ruling four weeks ago. The principal non-ferrous metals are all quoted higher. European demand for copper is expected to remain strong, and home prospects are not too unfavourable. Business in lead and zinc has been on a very moderate scale.

On October 1st, 96 furnaces were in blast against 89 working on September 1st. Output of pig-iron last month totalled 1,680,435 tons, equal to 56,015 tons daily compared with the August figure of 48,193 tons. This increase of 16 per cent. has followed a 24 per cent. rise in August over July. The volume of steel ingot manufacture also rose—the total of 2,657,748 tons was roughly 4½ per cent. higher than the August output, and represents operations at some 46 per cent. of capacity. The outlook for the steel trade is not such as to encourage great optimism. The United States Steel Corporation reports that shipments of finished products from its works amounted to 577,666 tons during September, compared with 558,634 tons shipped during August.

So far this season exports of raw cotton have totalled 705,603 bales. Parallel shipments in 1937 totalled 976,937 bales. Speculation in cotton "futures" has been fairly active, and naturally prices fluctuated during the recent crisis. The latest estimate of the Department of Agriculture gives this season's crop at 12,212,000 bales, or an increase of 387,000 bales over the previous estimate. Reports from the finished cotton goods market show a slight improvement, and manufacturers are stated to be in need of material to cover orders in hand. These, however, should be filled easily from the stocks in hand held by the cotton textile mills.

South America

From the Bank of London and South America Limited

Argentina.—Heavy frosts at the end of September affected about 10 per cent. of the increased area sown to wheat, linseed and oats, and have reduced the productive area nearly to last year's figure. Slight to moderate rains fell in the Centre and North during October. Grain prices are easier. Maize shipments up to September 23rd this year were only 1,529,933 tons, compared with 7,107,204 tons last year. The exportable surplus of maize on September 24th was 1,839,263 tons.

Exports for the first nine months of this year were only 1,038 million pesos, compared with 1,871 million pesos for the first nine months of 1937. Imports are also now rapidly declining, the September contraction in imports of Japanese cotton goods being very striking. The anti-dumping bill was not considered by Congress before the close of the ordinary session. The market for cotton and woollen piece goods has been very quiet. Retail trade has also been dull, owing to the considerable reduction since last year in the purchasing power of the public.

Brazil.—Business in the local produce market remains quiet. The coffee market has recovered partly from the stagnation caused by the European political crisis, but there are indications that world stocks are again growing. Brazilian shipments to the end of September were nearly 13 million bags, or 50 per cent. more than in 1937. Exports for the first nine months of 1933 to 1936, however, averaged 10 million bags. Prices are also lower than a year ago, so that so far as the value of shipments is concerned, their increase in volume has been largely neutralised.

Chile.—Business has improved since the termination of the European crisis. Conditions in the foreign exchange market are unchanged, and distribution of sterling and dollars by the Control Board have been negligible. Early in October pending orders in Valparaiso had been awaiting cover for over a month. Cancellation of shipments to Europe during the crisis caused some liveliness in the market for spot " compensation " currencies.

Japan

The improvement in exports continues, while imports of cotton and wool are also slightly higher. The upward trend of prices is noticeable in many commodity markets. Rice and raw silk have advanced sharply. The stock market maintains a firmer tone, although business is limited. The money market remains quiet. In the capital market the revival has been maintained, and Government bonds are strong. Rice crop prospects are less satisfactory, but the crop is expected to be slightly above average.

Statistics

BANK OF ENGLAND

Issue Department

	Note Circulation	Govt. Debt	Other Govt. Securities	Other Securities	Silver Coin	Fiduciary Issue	Gold
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
End March, 1931	357·1	11·0	232·0	12·9	4·0	260·0	144·5
" " 1932	360·5	11·0	240·9	19·3	3·8	275·0	120·8
" " 1934	378·8	11·0	245·4	0·1	3·5	260·0	191·1
" " 1936	406·5	11·0	246·5	1·5	1·0	260·0	200·6
" " 1937	473·8	11·0	187·0	2·0	—	200·0	313·7
" " 1938	485·4	11·0	188·2	0·8	—	200·0	326·4
Oct. 19, 1938	486·4	11·0	188·8	0·2	—	200·0	326·4
Oct. 26, 1938	482·5	11·0	188·9	0·1	—	200·0	326·4

Banking Department

	Public Deposits	Bankers' Deposits	Other Deposits	Govt. Securities	Discounts and Advances	Other Securities	Reserve	Proportion
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	%
End March, 1931	17·2	58·8	34·7	30·3	24·6	25·7	48·3	43·6
" " 1932	27·2	54·6	34·4	35·7	11·7	51·1	35·9	30·9
" " 1934	17·5	94·5	36·9	77·1	5·6	11·0	73·4	49·2
" " 1936	18·0	83·6	37·0	80·3	5·0	16·7	54·9	39·6
" " 1937	52·2	62·3	38·5	100·5	7·1	22·9	40·8	27·7
" " 1938	17·8	108·1	37·4	110·8	8·7	20·2	41·8	25·6
Oct. 19, 1938	33·8	90·9	35·9	104·9	8·0	23·9	41·4	25·7
Oct. 26, 1938	25·0	100·4	35·5	107·6	4·2	21·6	45·3	28·1

LONDON CLEARING BANKS (monthly averages)

	Deposits	Acceptances, Guarantees, etc.	Cash	Balances and Cheques	Call and Short Money	Bills	Investments	Advances
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
March, 1931	1,763·9	121·5	184·0	43·5	114·1	240·4	311·1	936·1
" 1932	1,676·4	98·7	174·0	43·4	112·5	216·8	281·9	902·1
" 1934	1,830·6	112·8	218·9	43·5	120·4	202·1	547·1	753·0
" 1936*	2,108·3	105·2	216·7	53·8	162·4	252·0	635·1	849·2
" 1937*	2,244·2	122·5	225·8	62·7	169·8	247·8	667·4	934·4
" 1938*	2,253·7	112·0	244·2	59·1	150·4	238·6	634·0	995·2
Aug., 1938*	2,298·1	115·7	241·0	55·4	153·1	304·7	641·5	970·3
Sept., 1938*	2,268·9	122·1	233·9	51·4	148·2	289·0	645·8	969·2

* Includes the District Bank.

LONDON BANKERS' CLEARING HOUSE RETURNS

	Town Clearing	Metropolitan Clearing	Country Clearing	Total
	£ mn.	£ mn.	£ mn.	£ mn.
1930	38,782	1,812	2,964	43,558
1931	31,816	1,668	2,752	36,236
1932	27,834	1,610	2,668	32,112
1933	27,715	1,657	2,766	32,138
1934	30,740	1,760	2,984	35,484
1935	32,444	1,887	3,229	37,560
1936	35,039	2,040	3,538	40,617
1937	36,719	2,162	3,805	42,686
1937 to Oct. 27	30,499	1,787	3,135	35,421
1938 to Oct. 26	27,743	1,708	3,022	32,473
1937, October (4 weeks) ...	2,824	175	311	3,310
1938, October (4 weeks) ...	2,649	168	295	3,112

BANKERS' PROVINCIAL CLEARING RETURNS

	Mar., 1929	Mar., 1932	Mar., 1934	Mar., 1935	Mar., 1936	Mar., 1937	Mar., 1938	Aug., 1938	Sept., 1938
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Birmingham .	11·9	9·0	11·3	9·6	10·7	11·3	10·6	8·2	7·8
Bradford ...	5·9	3·4	4·2	3·8	4·7	4·6	3·6	3·0	2·9
Bristol ...	5·3	4·9	5·4	4·9	5·5	5·5	5·9	5·2	5·2
Hull ...	4·0	3·0	3·2	3·2	3·4	4·0	4·0	3·4	3·2
Leeds ...	4·4	3·8	4·4	4·3	3·9	4·8	4·3	3·2	3·5
Leicester ...	3·6	3·1	3·3	2·8	3·1	3·3	3·3	2·5	2·7
Liverpool ...	34·2	25·6	26·8	25·8	27·5	35·8	24·8	20·1	20·7
Manchester...	58·0	42·5	46·1	42·8	44·9	50·7	44·0	36·2	34·4
Newcastle-on-Tyne ...	6·5	5·7	6·9	5·5	5·7	6·3	6·9	5·8	5·6
Nottingham	2·8	1·9	2·0	2·0	2·1	2·3	2·3	1·8	1·8
Sheffield ...	4·6	3·3	3·6	3·4	4·3	6·0	4·8	3·9	3·8
	141·2	106·2	117·2	108·1	115·8	134·6	114·5	93·3	91·9

LONDON AND NEW YORK MONEY RATES

	London					New York		
	Bank Rate	Treasury Bills		3 Months' Bank Bills	Short Loans	F.R.B. Re-discount Rate	Call Money	Accept-ances
		Tender Rate	Market Rate					
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End March, 1931	3	$2\frac{17}{32}$	$2\frac{9}{16}$–$2\frac{5}{8}$	$2\frac{9}{16}$–$2\frac{5}{8}$	2–$2\frac{1}{4}$	2	$1\frac{1}{2}$	$1\frac{5}{8}$
" " 1932	$3\frac{1}{2}$	$2\frac{5}{32}$	$1\frac{7}{8}$	$2\frac{1}{8}$–$2\frac{1}{4}$	2–3	3	$2\frac{1}{2}$	$2\frac{1}{4}$
" " 1934	2	$\frac{27}{32}$	$\frac{7}{8}$	$\frac{15}{16}$	$\frac{3}{4}$–1	$1\frac{1}{2}$	1	$\frac{3}{8}$
" " 1936	2	$\frac{17}{32}$	$\frac{1}{2}$	$\frac{17}{32}$–$\frac{9}{16}$	$\frac{1}{2}$–1	$1\frac{1}{2}$	$\frac{3}{4}$	$\frac{3}{16}$
" " 1937	2	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{9}{16}$	$\frac{1}{2}$–1	$1\frac{1}{2}$	1	$\frac{7}{16}$
" " 1938	2	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{17}{32}$–$\frac{9}{16}$	$\frac{1}{2}$–1	1	1	$\frac{1}{2}$
Sept. 21st, 1938	2	$\frac{25}{32}$	$\frac{13}{16}$–$\frac{7}{8}$	$\frac{13}{16}$–$\frac{15}{16}$	$\frac{1}{2}$–1	1	1	$\frac{1}{2}$
Oct. 26th, 1938	2	$\frac{11}{16}$	$\frac{9}{16}$	$\frac{9}{16}$	$\frac{1}{2}$–1	1	1	$\frac{1}{2}$

FOREIGN EXCHANGES

London on	1936	1937	1938				
	Oct. 28	Oct. 27	Sept. 28	Oct. 5	Oct. 12	Oct. 19	Oct. 26
New York—							
(a) Spot ...	4·89$\frac{3}{8}$	4·95$\frac{5}{16}$	4·71	4·80$\frac{3}{8}$	4·74$\frac{3}{4}$	4·77$\frac{5}{8}$	4·77$\frac{3}{4}$
(b) 3 months	$1\frac{1}{2}$c. pm.	$\frac{23}{32}$c. pm.	3c. pm.	$1\frac{1}{8}$c. pm.	$1\frac{3}{4}$c. pm.	$1\frac{3}{8}$c. pm.	$1\frac{7}{16}$c. pm.
Montreal ...	4·88$\frac{7}{8}$	4·95$\frac{1}{4}$	4·82	4·83$\frac{1}{2}$	4·79	4·82$\frac{1}{2}$	4·81$\frac{5}{8}$
Paris—							
(a) Spot ...	$105\frac{1}{8}$	$147\frac{3}{4}$	$178\frac{9}{16}$	$178\frac{11}{16}$	$178\frac{13}{16}$	$178\frac{5}{8}$	$178\frac{23}{32}$
(b) 3 months	Fr.$1\frac{1}{2}$ dis.	Fr.$5\frac{3}{8}$ dis.	Fr.7 dis.	Fr.$5\frac{1}{8}$ dis.	Fr.$4\frac{3}{4}$ dis	Fr.4 dis.	Fr.$4\frac{1}{8}$ dis.
Berlin—							
(a) Official ...	12·16$\frac{1}{8}$	12·33$\frac{1}{4}$	11·95	11·98	11·85	11·90$\frac{1}{2}$	11·92
(b) Registered Marks	$48\frac{3}{4}$% dis.	50% dis.	66% dis.	$55\frac{1}{8}$% dis	$56\frac{3}{4}$% dis	$57\frac{3}{8}$% dis.	$57\frac{1}{8}$% dis.
Amsterdam ...	9·05	8·96	8·77$\frac{1}{2}$	8·82$\frac{1}{2}$	8·74$\frac{1}{4}$	8·77$\frac{1}{2}$	8·77$\frac{5}{8}$
Brussels ...	29·04$\frac{1}{2}$	29·34	27·85	28·37$\frac{1}{2}$	28·07$\frac{1}{2}$	28·26	28·20$\frac{1}{2}$
Milan ...	$92\frac{7}{8}$	$94\frac{1}{8}$	89	$91\frac{1}{4}$	$90\frac{1}{4}$	$90\frac{3}{8}$	$90\frac{3}{8}$
Zurich ...	21·28$\frac{3}{4}$	21·48	21·00	21·04	20·92$\frac{1}{4}$	21·01	21·03$\frac{1}{2}$
Stockholm ...	19·39$\frac{1}{2}$	19·39$\frac{1}{2}$	19·39	19·41	19·41	19·41	19·41
Madrid ...	n. q.	80*	150*	150*	150*	150*	150*
Prague ...	$138\frac{1}{4}$	$141\frac{1}{8}$	137	$139\frac{1}{8}$	138	$138\frac{3}{4}$	$139\frac{1}{4}$
Buenos Aires—							
(a) Export ...	15	15	15	15	15	15	15
(b) Import ...	17	16†	16†	16†	16†	16†	16†
(c) Free ...	17·61	16·65	18·88	19	19	18·98	18·98
Rio de Janeiro— Prov. Deposit Rate	83$300	88$000	85$800	88$040	87$190	87$460	87$300
Valparaiso ...	$131\frac{1}{2}$*	123·78*	120*	118*	118*	118*	118*
Bombay ...	$18\frac{1}{8}$d.	$18\frac{1}{8}$d.	$17\frac{15}{16}$d.	$17\frac{15}{16}$d.	$17\frac{15}{16}$d.	$17\frac{15}{16}$d.	$17\frac{15}{16}$d.
Hong Kong ...	$14\frac{7}{8}$d.	15d.	15d.	15d.	15d.	$14\frac{7}{8}$d.	$14\frac{7}{8}$d.
Kobe ...	1/$2\frac{1}{32}$	1/2	1/2	1/2	1/2	1/2	1/2
Shanghai ...	$14\frac{7}{16}$d.	$14\frac{1}{4}$d.	$8\frac{3}{8}$d.	$8\frac{1}{4}$d.	$8\frac{1}{8}$d.	8d.	$8\frac{1}{8}$d.
Gold price ...	142s. 2d.	140s. 8d.	147s. 0d.	144s. 10d.	146s. 5d.	145s. $8\frac{1}{2}$d.	145s. 8d.
Silver price ...	$20\frac{1}{8}$d.	$19\frac{13}{16}$d.	$18\frac{3}{4}$d.	$19\frac{9}{16}$d.	$19\frac{3}{4}$d.	$19\frac{13}{16}$d.	$19\frac{5}{8}$d.

* Nominal. † Plus $\frac{3}{4}$ per cent. commission charged by the Central Bank, making the full rate 16·12.

PUBLIC REVENUE AND EXPENDITURE

	1934–5	1935–6	1936–7	1937–8	1937–8 to Oct. 23	1938–9 to Oct. 22
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
REVENUE—						
Income Tax	228·9	238·1	257·2	298·0	66·8	71·8
Sur-Tax	51·2	51·0	53·6	57·1	7·4	9·1
Estate Duties...	81·3	87·9	88·0	89·0	51·8	41·5
Stamps	24·1	25·8	29·1	24·2	11·3	10·2
National Defence Contribution	—	—	—	1·4	—	8·5
Customs	185·1	196·6	211·3	231·6	126·5	126·9
Excise	104·6	106·7	109·5	113·7	65·1	65·7
Motor Vehicle Duties (Exchequer Share) ...	5·1	5·0	32·7*	34·6*	9·3	9·2
Other Tax Revenue... ...	3·1	2·1	1·7	1·7	0·1	0·6
Total Tax Revenue	683·4	713·2	783·1	841·3	338·3	343·5
Post Office (Net Receipts) ...	12·2	11·7	11·0	10·5	8·1	7·5
Crown Lands...	1·3	1·4	1·4	1·3	0·7	0·6
Receipts from Sundry Loans	4·4	4·9	4·5	5·2	3·6	4·1
Miscellaneous Receipts ...	15·1	21·7	24·6	13·5	8·4	6·8
Total Non-Tax Revenue ...	33·0	39·7	41·6	31·3	20·8	19·0
Total Ordinary Revenue ...	716·4	752·9	824·7	872·6	359·1	362·5
Post Office	61·8	66·1	71·9	76·1	39·1	39·8
Road Fund	26·4	25·8	—	—	—	—
Total Self-balancing Revenue...	88·2	91·9	71·9	76·1	39·1	39·8
EXPENDITURE—						
National Debt Interest ...	211·6	211·5	210·9	216·2	130·4	131·6
Payments to N. Ireland ...	6·8	7·2	8·0	8·9	3·7	4·0
Other Cons. Fund Services...	3·6	5·7	3·2	3·1	1·9	1·7
Post Office Fund	2·3	1·1	0·4	—	—	—
Supply Services	472·2	512·0	594·7*	605·0*	331·4	402·5
Total Ordinary Expenditure ...	696·5	737·5	817·2	833·2	467·4	539·8
Sinking Fund	12·3	12·5	13·1	10·5	—	—
Self-balancing Expenditure (as per contra)	88·2	91·9	71·9	76·1	39·1	39·8

* Motor Vehicle Duties apportioned to Road Fund, treated as self-balancing in 1936–37, now added to Revenue and Expenditure figures for purposes of comparison.

PRODUCTION

	Coal	Pig-Iron	Steel
	Tons mill.	Tons thous.	Tons thous.
Total 1913	287·4	10,260	7,664
„ 1925	243·2	6,262	7,385
„ 1929	257·9	7,589	9,636
„ 1930	243·9	6,192	7,326
„ 1931	219·5	3,773	5,203
„ 1932	208·7	3,574	5,261
„ 1933	207·1	4,136	7,024
„ 1934	221·0	5,969	8,850
„ 1935	222·9	6,426	9,842
„ 1936	228·5	7,686	11,705
„ 1937	241·2	8,497	12,964
Total to Sept., 1937	178·5	6,181	9,548
Total to Sept., 1938	169·2	5,386	8,023

BOARD OF TRADE PRODUCTION INDEX NUMBER †
(1930 = 100)

	Complete Year		1937			1938	
	1936	1937	2nd Qr.	3rd Qr.	4th Qr.	1st Qr.	2nd Qr.
Mines and Quarries	94·4	99·8	100·5	95·6	103·9	104·0	89·4
Iron and Steel	150·1	166·6	165·6	165·5	177·3	168·4	131·7
Non-Ferrous Metals	143·8	165·3	166·7	173·3	166·2	153·3	147·2
Engineering and Shipbuilding	123·3	136·3	138·2	134·9	135·3	132·7	128·8
Building Materials and Building	157·1	153·2	155·9	160·3	148·3	146·1	153·4
Textiles	126·4	129·6	135·1	127·5	125·8	116·9	106·4
Chemicals, Oils, etc.	115·4	124·5	126·4	123·8	125·5	123·5	117·4
Leather and Boots and Shoes...	120·7	118·9	121·3	117·7	115·7	119·5	109·7
Food, Drink and Tobacco ...	114·5	119·9	124·9	120·3	123·2	116·0	123·6
Total*	124·6	133·1	133·8	130·4	136·6	132·4	122·1

* Includes paper and printing, gas and electricity, rubber, cement and tiles.
† Revised quarterly by the Board of Trade.

UNEMPLOYMENT

(a) Percentage of Insured Workers

Date	1929	1931	1932	1934	1935	1936	1937	1938
End of—								
January	12·3	21·5	22·4	18·6	17·6	16·2	12·4	13·3*
February	12·1	21·7	22·0	18·1	17·5	15·3	12·0	13·2*
March	10·0	21·5	20·8	17·2	16·4	14·2	11·6	12·9*
April	9·8	20·9	21·4	16·6	15·6	13·6	10·5	12·9*
May	9·7	20·8	22·1	16·2	15·5	12·8	10·7	13·0*
June	9·6	21·2	22·2	16·4	15·4	12·8	10·0	13·4*
July	9·7	22·0	22·8	16·7	15·3	12·4	10·1	13·3*
August	9·9	22·0	23·0	15·5	14·9	12·0	9·9	13·0*
September	10·0	22·6	22·8	16·1	15·0	12·1	9·7*	13·2*
October	10·3	21·9	21·9	16·3	14·5	12·0	10·2*	
November	10·9	21·4	22·2	16·3	14·5	12·0	11·0*	
December	11·0	20·9	21·7	16·0	14·1	12·0	12·2*	

* New Basis.

(b) Actual Numbers Employed and Unemployed (in thousands)

	Mar., 1932	Mar., 1935	Mar., 1936	Mar., 1937	Sept., 1937	Mar., 1938	Aug., 1938	Sept., 1938
Number employed ...	9,549	10,200	10,689	11,310	11,599	11,380	11,402	11,380
Wholly unemployed...	2,129	1,727	1,551	1,330	1,081	1,356	1,273	1,323
Temporarily stopped	427	324	240	170	195	338	447	420
Normally in casual employment ...	104	92	88	76	58	70	60	64
Total unemployed ...	2,660	2,143	1,879	1,576	1,334	1,764	1,780	1,807

RAILWAY TRAFFIC RECEIPTS

	Five weeks ended				Aggregate for 42 weeks			
	Oct. 24, 1937		Oct. 23, 1938		1937		1938	
	Passengers	Goods	Passengers	Goods	Passengers	Goods	Passengers	Goods
	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
Great Western ...	1·1	1·7	1·1	1·6	9·5	13·1	9·4	12·3
London & North Eastern*	1·6	3·1	1·6	2·9	14·6	24·6	14·5	23·1
London Midland & Scottish	2·5	4·0	2·5	3·6	22·4	31·4	22·4	29·3
Southern	1·6	0·5	1·5	0·5	14·1	3·9	14·0	3·8
Total...	6·8	9·3	6·7	8·6	60·6	73·0	60·3	68·5

* The London & North Eastern Railway Returns are made up a day earlier each week than the other lines.

RETAIL TRADE

(from the Board of Trade Journal)

Change in value since same date in previous year

	Sept., 1935	Sept., 1936	Sept., 1937	August, 1938	Sept., 1938
By CATEGORIES : Great Britain	%	%	%	%	%
Total	+ 8·1	+ 4·5	+ 8·6	+ 2·8	+ 0·9
Food and Perishables	+ 8·6	+ 7·4	+ 8·8	+ 4·5	+ 4·5
Other Merchandise	+ 7·5	+ 1·2	+ 8·2	+ 0·4	− 3·5
of which Piece-goods*	+ 3·5	− 1·4	+ 5·9	− 5·0	−12·5
(i) Household Goods ...	+ 4·0	− 0·5	+ 4·0	− 5·0	− 7·2
(ii) Dress Materials	+ 3·0	− 2·0	+ 6·9	− 5·1	−16·7
Women's Wear*	+ 9·6	+ 1·4	+10·3	+ 6·3	− 2·7
(i) Fashion Departments ...	+13·0	+ 4·7	+12·0	+10·1	− 1·4
(ii) Girls' and Children's Wear	+10·3	− 1·3	+15·0	+ 5·5	− 2·8
(iii) Fancy Drapery	+ 6·9	− 2·5	+ 8·1	+ 1·6	− 4·4
Men's and Boys' Wear ...	+ 9·7	− 3·8	+10·1	+ 0·1	− 5·7
Boots and Shoes	+ 8·6	+ 6·0	+ 8·7	+ 4·1	+ 0·6
Furnishing Departments ...	+ 6·2	+ 3·2	+ 3·8	− 4·9	− 8·9
Hardware	+ 8·4	+ 2·1	+ 4·9	− 6·2	−12·3
Fancy Goods	+ 3·3	+ 4·7	+ 3·8	− 2·9	− 1·7
Sports and Travel	+ 1·8	+ 9·6	− 8·0	− 5·5	− 6·2
Miscellaneous and Unallocated	+ 7·0	− 2·8	+13·9	− 1·4	+ 2·4
By AREAS— All Categories—					
Scotland	+ 5·1	+ 4·7	+ 7·0	+ 5·9	+ 3·9
North-East	—	—	+ 9·8	+ 2·1	+ 1·2
North-West	—	—	+ 8·6	+ 2·1	+ 0·5
Midlands & South Wales ...	—	—	+11·0	+ 3·5	+ 2·8
South of England	+ 9·8	+ 4·8	+ 9·4	+ 3·6	+ 2·4
London, Central & West End	+ 7·1	+ 3·6	+ 3·4	− 4·7	−10·8
London, Suburban	+10·1	+ 4·4	+ 9·1	+ 4·4	+ 2·9

* Including some goods which cannot be allocated to sub-headings.

OVERSEAS TRADE

Date	Imports: Food	Imports: Raw Materials	Imports: Manufactured Goods	Imports: Total	Exports: Food	Exports: Raw Materials	Exports: Manufactured Goods	Exports: Total
Monthly Average—	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
1929	44·6	28·3	27·9	101·7	4·6	6·6	47·8	60·8
1930	39·6	20·9	25·6	87·0	5·3	5·3	36·7	47·6
1931	34·7	14·4	21·8	71·8	3·0	3·9	24·3	32·6
1932	31·1	13·7	13·1	58·5	2·7	3·6	23·0	30·4
1933	28·3	15·0	12·6	56·3	2·4	3·8	23·4	30·6
1934	28·9	17·5	14·3	61·0	2·5	4·0	25·4	33·0
1935	29·6	17·7	15·4	63·0	2·6	4·4	27·4	35·5
1936	31·9	20·7	17·7	70·7	3·0	4·3	28·4	36·7
1937	36·0	26·3	22·9	85·7	3·2	5·4	33·7	43·5
Sept., 1937	36·1	26·5	24·6	87·8	3·4	5·4	34·5	44·3
Sept., 1938	37·7	18·0	18·7	75·0	3·1	4·6	31·1	39·8

SOME LEADING IMPORTS

	Wheat	Iron Ore and Scrap	Raw Cotton	Raw Wool	Hides, Wet and Dry	Wood Pulp	Rubber	Iron and Steel Manufactures
Monthly Average—	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. centals of 100 lbs.)	(thous. cwts.)	(thous. tons)	(thous. centals of 100 lbs.)	(thous. tons)
1929	9,314	480	1,283	678	98	137	330	235
1930	8,731	363	1,011	652	108	128	326	243
1931	9,952	185	989	707	106	122	237	237
1932	8,803	159	1,048	765	105	153	176	133
1933	9,366	234	1,169	793	120	162	189	81
1934	8,552	392	1,052	657	116	187	395	114
1935	8,435	415	1,060	720	141	185	325	96
1936	8,401	587	1,289	762	157	198	116	124
1937	8,074	669	1,382	653	157	149	254	170
Sept., 1937	6,595	710	1,006	295	190	155	373	226
Sept., 1938	9,194	288	734	363	118	119	251	62

SOME LEADING EXPORTS

Date	Coal	Iron and Steel	Machinery	Cotton Yarns	Cotton Piece-Goods	Woollen Tissues	Worsted Tissues	Motor Cars
Monthly Average—	(thous. tons)	(thous. tons)	(thous. tons)	(mill. lbs.)	(mill. sq. yds.)	(thous. sq. yds.)	(thous. sq. yds.)	(number)
1929	5,022	365	47	11·8	306	9,016	3,490	1,991
1930	4,573	263	40	11·1	201	6,587	2,893	1,602
1931	3,563	165	27	11·4	143	4,694	2,479	1,429
1932	3,242	157	25	13·9	183	4,461	2,358	2,246
1933	3,256	160	23	15·8	169	5,110	2,741	2,821
1934	3,305	188	28	10·9	166	5,745	2,772	2,904
1935	3,226	193	32	11·8	162	5,934	3,205	3,659
1936	2,878	184	32	12·6	160	6,523	3,304	4,268
1937	3,363	215	37	13·3	160	6,653	3,583	4,468
Sept., 1937	3,657	194	37	11·9	157	6,437	3,275	3,793
Sept., 1938	3,012	138	35	10·7	116	5,086	2,389	2,922

PRICES

1. WHOLESALE PRICES

Date	Index Number (Sept. 16th, 1931 = 100)				
	U.K.	U.S.A.	France	Italy	Germany
Average 1929	150·9	139·4	141·3	146·0	126·1
1931	107·7	103·5	105·5	103·5	101·9
1932	103·5	89·3	92·0	93·1	88·7
1933	103·5	93·7	87·7	86·6	85·7
1934	106·4	111·1	83·1	84·2	90·4
1935	108·1	120·3	78·4	97·2	93·5
1936	116·2	121·4	90·6	112·5	95·6
1937	134·6	131·5	127·0	133·3	97·3
End Sept., 1937 ...	135·0	131·5	139·4	139·3	97·6
" Oct., 1937 ...	132·6	127·7	138·8	141·6	97·2
" Sept., 1938 ...	119·6	116·6	146·0	144·2	97·0
" Oct., 1938 ...	120·0	116·6	—	—	—

Sources : U.K., " Financial Times " ; U.S.A., Irving Fisher ; France, Statistique Générale ; Italy, Italian Chamber of Commerce ; Germany, Statistiche Reichsamt.

2. RETAIL PRICES (cost of living)

Date	Food	Rent (including Rates)	Clothing	Fuel and Light	Other Items included	All Items included
End of 1929 ...	57	52	115	75	80	66
1931 ...	31	54	90	75	75	47
1932 ...	23	55	85	70–75	70–75	42
1933 ...	24	56	85	70–75	70–75	42
1934 ...	25	56	85–90	70–75	70–75	44
1935 ...	31	58	85	75	70	47
1936 ...	36	59	90–95	75–80	70	51
End Sept., 1937 ...	43	59	105–110	80	75	58
" Aug., 1938 ...	40	60	110	80	75	56
" Sept., 1938 ...	39	60	105–110	80	75	55

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date	Wheat No. 1 N. Manitoba	Sugar Centrifugals U.K.	Cotton American Middling	Wool 64's tops avge.	Pig-Iron, Cleveland No. 3	Tin, Standard Cash	Rubber Plantation Sheet
	per qr. s. d.	per cwt. s. d.	per lb. d.	per lb. d.	per ton s. d.	per ton £	per lb. d.
Average 1929 ...	54 $0\frac{3}{4}$	9 $0\frac{1}{8}$	10·29	$38\frac{7}{8}$	70 $4\frac{1}{2}$	$203\frac{15}{16}$	$10\frac{1}{4}$
1931 ...	28 $2\frac{3}{4}$	6 $4\frac{3}{4}$	5·08	$23\frac{1}{16}$	58 7	$118\frac{1}{8}$	$3\frac{1}{8}$
1932 ...	30 $6\frac{1}{4}$	5 $9\frac{1}{2}$	5·29	$22\frac{1}{16}$	58 6	$136\frac{9}{32}$	$2\frac{5}{16}$
1933 ...	28 2	5 4	5·53	$28\frac{5}{16}$	62 3	$194\frac{13}{16}$	$3\frac{1}{4}$
1934 ...	30 11	4 $8\frac{1}{8}$	5·66	$30\frac{21}{32}$	66 $10\frac{1}{2}$	230	$6\frac{3}{16}$
1935 ...	34 $3\frac{1}{8}$	4 8	6·69	28	67 10	$225\frac{19}{32}$	$5\frac{21}{32}$
1936 ...	38 0	4 $8\frac{3}{4}$	6·67	$32\frac{13}{16}$	73 0	$204\frac{19}{32}$	$7\frac{23}{32}$
1937 ...	53 $11\frac{1}{4}$	6 $4\frac{3}{4}$	6·37	$35\frac{9}{16}$	91 10	$243\frac{7}{16}$	$9\frac{1}{2}$
Oct., 1937 ...	58 6	6 $4\frac{7}{8}$	4·78	$31\frac{23}{32}$	101 0	$218\frac{9}{32}$	$7\frac{11}{32}$
Sept., 1938 ...	31 $11\frac{1}{2}$	5 8	4·81	$25\frac{7}{16}$	109 0	$193\frac{25}{32}$	$7\frac{25}{32}$
Oct., 1938 ...	30 0	5 2	5·08	$25\frac{15}{16}$	109 0	$206\frac{7}{16}$	$7\frac{3}{8}$

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